

**LOAN AGREEMENT  
(\$1,022,176)**

Between

**County of Santa Barbara**

and

**McClelland Santa Maria LP**

**(Rancho Hermosa)**



HOME Investment Partnerships Program

Catalog of Federal Domestic Assistance Number 14.239

**LOAN AGREEMENT  
(Rancho Hermosa)**

This Loan Agreement is made as of this \_\_\_ day of \_\_\_\_\_, 2011, by and between the County of Santa Barbara, political subdivision of the State of California ("Lender"), and McClelland Santa Maria, L.P., a California limited partnership ("Borrower").

**RECITALS**

A. Lender wishes to promote the development of more affordable rental housing in neighborhoods in need of revitalization in Santa Barbara County communities and provide a greater choice of housing opportunities for persons and families of low income.

B. Borrower is constructing forty-seven units of multi-family affordable housing on property located at 190 East Inger Street in the City of Santa Maria, in the County of Santa Barbara, as more particularly described in Exhibit A (the "Property").

C. Lender has received Home Investment Partnerships Program funds ("HOME Funds") from the United States Department of Housing and Urban Development ("HUD") pursuant to the Cranston-Gonzales National Affordable Housing Act of 1990 for the purpose of expanding the supply of decent, safe, sanitary and affordable housing for low-income persons and families.

D. Surf Development Company is the managing general partner of the Borrower, and has been certified by the County as a Community Housing Development Organization ("CHDO") eligible to receive CHDO set-aside funds under the HOME Program.

E. In addition to the HOME Funds, Lender has set aside certain funds to be used for the development of affordable housing in the County of Santa Barbara (the "In Lieu funds")

F. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower two loans in the total amount of One Million Twenty Two Thousand One Hundred Seventy Six Dollars (\$1,022,176) to repay a construction loan for certain development costs eligible for funding under the HOME Program (the "Loans"). The Loans consist of a loan of HOME funds in the amount of Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176) (the "HOME Loan") and a loan of Santa Maria Housing Market Area In Lieu funds in the amount of Four Hundred Fifty Thousand Dollars (\$450,000) (the "In Lieu Fund Loan"). The terms of the Loans are set out in this Agreement.

G. The HOME Loan will be evidenced by a promissory note in the amount of Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176) executed by Borrower in favor of Lender. The In Lieu Fund Loan will be evidenced by a promissory note in the amount of Four Hundred Fifty Thousand Dollars (\$450,000) executed by Borrower in favor

1.9 **“DEED OF TRUST”** is that deed of trust, assignment of rents, and security agreement placed on the Property and the improvements to be constructed thereon as security for both the In Lieu Loan and the HOME Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust, attached hereto as Exhibit C. The terms of the Deed of Trust are incorporated into this Loan Agreement by this reference.

1.10 **“ESCROW HOLDER”** means the person or entity designated by the Borrower and approved by Lender to hold all Loan proceeds and documents until receiving written instructions to record the documents and disburse the funds.

1.11 **“HAZARDOUS MATERIALS”** means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants which are defined, regulated, or listed as “hazardous substances,” “hazardous wastes,” “hazardous materials,” “pollutants,” “contaminants,” or “toxic substances,” under federal or state environmental and health and safety laws and regulations, including without limitation petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating, or occupying a housing project, to the extent and degree that such substances are stored, used, and disposed of in the manner and in amounts that are consistent with normal practice and legal standards at the time of such use.

1.12 **“HOME AFFORDABILITY PERIOD”** means the fifty-five (55) year term during which the HOME Assisted Units must meet the affordability requirements imposed under the HOME Program, commencing when the Project is closed out in the Federal Integrated Disbursement Information System.

1.13 **“HOME ASSISTED UNIT”** means any of the eleven (11) housing units on the Property which are supported by HOME Funds.

1.14 **“HOME FUNDS”** means funds provided to Borrower by the Lender from the HOME Investment Partnerships Program, as stated in 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92.

1.15 **“HOME LOAN”** means the loan of HOME Funds in the amount of Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176) as provided in this Loan Agreement to refinance certain eligible development costs of the Project.

1.16 **“HOME NOTE”** means the promissory note executed by the Borrower in favor of Lender in the amount of Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176), to evidence the Loan of HOME Funds as well as any amendments to, modifications of, or restatements of said promissory notes, substantially in the form attached hereto as Exhibit D.

of Lender. Both the HOME Loan and the In Lieu Fund Loan will be secured by the same deed of trust.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the Loan, Borrower and Lender hereby agree as follows:

## ARTICLE 1 DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in this Loan Agreement, attached Exhibits, or documents incorporated into this Loan Agreement by reference.

1.1 **"AFFIRMATIVE MARKETING"** means actions taken to provide information and otherwise attract eligible persons in the housing market area to the available housing that are not likely to apply without special outreach, without regard to race, color, national origin, sex, religion, familial status or disability.

1.2 **"ANNUAL FINANCIAL STATEMENT"** means the financial statement of Operating Expenses and Revenues, prepared at Borrower's expense, by an independent certified accountant acceptable to Lender, which shall be provided as part of the Annual Report to Lender.

1.3 **"ASSISTED UNIT"** means any of the housing units on the Property which are supported by In Lieu Funds or HOME Funds.

1.4 **"BORROWER"** is McClelland Santa Maria, L.P., a California Limited Partnership, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

1.5 **"BUDGET"** means that budget for the financing of the Project attached as Exhibit B, which is hereby incorporated into this Loan Agreement by this reference and which identifies the eligible items on which Loan proceeds may be spent.

1.6 **"CHDO"** means Community Housing Development Organization as defined in 24 CFR 92.2. The CHDO must be a non-profit organization that has among its purposes the provision of decent housing that is affordable to low- and moderate-income persons.

1.7 **"CONSTRUCTION LOAN"** means a loan secured against the Property in a total amount not to exceed Seven Million Fifty Thousand Dollars (\$7,050,000) for the construction of the Project and which will be converted to a permanent loan.

1.8 **"COUNTY"** means the County of Santa Barbara, political subdivision of the State of California.

1.17 **“HOME REGULATORY AGREEMENT”** means the agreement executed by Borrower and Lender, attached as Exhibit E, and recorded against the Property prior to or contemporaneously with the Loan which regulates the use of the eleven Home Assisted Units in the Project

1.18 **“HUD”** means the United States Department of Housing and Urban Development.

1.19 **“IN LIEU AFFORDABILITY PERIOD”** means the fifty five (55) year term during which the In Lieu Assisted Units must meet the affordability requirements imposed under In Lieu Regulatory Agreement.

1.20 **“IN LIEU ASSISTED UNIT”** means any of the eleven (11) housing units on the Property which are supported by In Lieu Funds.

1.21 **“IN LIEU FUNDS”** means funds provided to the Borrower by the Lender through this Agreement from the Santa Maria Housing Market Area In Lieu Fund maintained by the Lender.

1.22 **“IN LIEU LOAN”** means the loan of In Lieu Funds in the amount of Four Hundred Fifty Thousand Dollars (\$450,000) as provided in this Loan Agreement to refinance certain development costs of the Project.

1.23 **“IN LIEU NOTE”** means promissory note executed by the Borrower in favor of Lender in the amounts of Four Hundred Fifty Thousand Dollars (\$450,000), to evidence the Loan as well as any amendments to, modifications of, or restatements of said promissory notes, substantially in the form attached hereto as Exhibit F.

1.24 **“IN LIEU REGULATORY AGREEMENT”** means the agreement executed by Borrower and Lender, attached as Exhibit G, and recorded against the Property prior to or contemporaneously with the Loans which regulates the use of the eleven In Lieu Assisted Units in the Project.

1.25 **“INSURANCE REQUIREMENTS”** means the insurance coverage which must be in full force and effect during the construction work and during the term of the Regulatory Agreements, as specified in Exhibit H.

1.26 **“LENDER”** means the County of Santa Barbara, a political subdivision of the State of California and its authorized representatives, officers, officials, directors, employees, and agents.

1.27 **“LOANS”** means collectively the In Lieu Loan and the HOME Loan as provided in this Loan Agreement to refinance certain development costs of the Project.

1.28 **“LOAN AGREEMENT”** means this loan agreement entered into between Lender and Borrower.

1.29 **“LOAN DOCUMENTS”** are collectively the Loan Agreement, the Notes, the Deed of Trust, and the Regulatory Agreements, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

1.30 **“MEDIAN INCOME”** means the median income for the Santa Barbara/Santa Maria/ Goleta Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

1.31 **“NOTES”** means collectively the HOME Note and the In Lieu Note.

1.32 **“OPERATING EXPENSES”** shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under senior loans, including but not limited to the Construction Loan and the permanent loan converted there from. Operating Expenses may include the payment to Borrower of a reasonable asset management fee not to exceed \$15,000 subject to an annual increase of not more than 3% per year. Operating Expenses may also include a deferred developer fee so long as the total amount of developer fees does not exceed ten percent (10%) of the total development budget. Operating expenses may also include incentive management and tax credit compliance fees; provided that such fees: (i) shall be payable during and only for services rendered during the 15 year tax credit compliance period, (ii) shall not exceed in any year an amount equal to 12% of Revenues minus the property management fee as defined in Borrower’s partnership agreement, (iii) shall not exceed in any year 80% of net operating income available for payment of such fees as specified in Borrower’s partnership agreement and (iv) shall not exceed \$80,000 in any year. The Operating Expenses shall be reported in the Annual Financial Statement.

1.33 **“PAYMENT DATE”** shall mean the first April 1<sup>st</sup> following recordation of a Notice of Completion for the Project and each April 1<sup>st</sup> thereafter until the Loans are paid in full or otherwise terminated.

1.34 **“PROJECT”** means the construction, operation and management of the Property and the 47 multifamily units constructed thereon according to the terms of this Loan Agreement.

1.35 **“PROPERTY”** means property located at 190 E. Inger Street in the City of Santa Maria, County Santa Barbara, California, as more particularly described in Exhibit A. (the “Property”).

1.36 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as a Very Low Income Household.

1.37 **“QUALIFYING RENT”** means the total annual charges for rent, utilities, and related services to each Very Low Income Household which shall not exceed thirty percent (30%) of fifty percent (50%) of median income for the Santa Barbara/Santa Maria/Goleta Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

1.38 **“REGULATORY AGREEMENTS”** means collectively the HOME Regulatory Agreement and the In Lieu Regulatory Agreement.

1.39 **“RESIDUAL RECEIPTS”** means the excess of annual Revenues over Operating Expenses.

1.40 **“REVENUE”** means all income derived from the Project, including but not limited to rent from the units and income from laundry operations.

1.41 **“VERY LOW INCOME HOUSEHOLD”** means a household whose annual income does not exceed fifty percent (50%) of median income for the Santa Barbara/Santa Maria/Goleta Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

## ARTICLE 2 TERMS OF THE LOANS

2.1 **LOANS.** On and subject to the terms and conditions of the Loan Documents, Lender agrees to make and Borrower agrees to accept two loans. Unless otherwise specifically noted all terms set forth below and all provisions of this Loan Agreement apply to both the In Lieu Loan and the HOME Loan:

2.2 **AMOUNTS.** The principal amount of the HOME Loan shall be an amount not to exceed Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176) and shall be evidenced by the HOME Note. The principal amount of the In Lieu Loan shall be an amount not to exceed Four Hundred Fifty Thousand Dollars (\$450,000) and shall be evidenced by the In-Lieu Note.

2.3 **INTEREST.** Subject to the provisions of Section 2.4, the Notes shall each bear simple interest at a rate of four and one half percent (4.5%) per annum from the date of each of the respective Notes.

2.4 **DEFAULT INTEREST.** In the event of a default by Borrower of any of its obligations under this Loan Agreement and expiration of applicable cure periods, Borrower shall pay to Lender interest on the outstanding principal of the Loan or Loans in default, at an annual rate equal to the lesser of (i) ten percent (10%) or (ii) the highest interest allowed by law, from the date of the default until the date that the default is cured or the Loan(s) are repaid in full.

2.5 **TERM OF LOANS.** For both the HOME Loan and the In Lieu Loan, the principal of the Loan shall be due and payable on the earlier of: (a) fifty five (55) years from the date of the Note evidencing that loan, or (b) the date the Property is sold or otherwise transferred, except if Borrower is a limited partnership, for a transfer to the General Partner of the Borrower or a Lender approved affiliate thereof or (c) Borrower has failed to commence construction as set forth in Section 4.2 of this Agreement or (d) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement. In any event, the principal of the Loans shall be due and payable no later than December 15, 2066. In the Event of Default by Borrower, which has not been cured as provided for in this Loan Agreement, all current and accrued interest shall be due and payable.

2.6 **REPAYMENT OF FUNDS TO HOME ACCOUNT.** Any and all repayment or prepayment of the Loans will be paid to HOME Program Fund and will be invested in future projects in accordance with Federal Rules and Regulations regarding the HOME Program.

2.7 **USE OF FUNDS.** Loan proceeds shall be used only for those certain housing development costs as specified in the Budget attached hereto as Exhibit B and shall only be disbursed after the costs for which they are to be paid have been incurred. HOME Funds and In Lieu shall not be utilized for any commercial costs associated with the Project. Any balance of funds remaining at completion of construction not needed for contingency costs specified in the project budget shall be utilized for principal pay-down of the loan, which will be invested in future affordable housing projects as HOME Program Income.

2.8 **SECURITY.** Borrower shall secure its obligation to repay the Loans by executing a Deed of Trust, in substantially the form attached hereto as Exhibit C and recording it as a lien against the Property, subordinate only to the Construction Loan and a Loan to the California Tax Allocation Committee in an amount not to exceed Eighteen Million Five Hundred Thousand Dollars (18,500,000).

2.9 **REPAYMENT OF THE LOANS.** No repayment is due under the Loans until construction of the Project is complete. Payments shall commence on the first April 1<sup>st</sup> following recordation of a Notice of Completion for the Project. Borrower shall make annual payments on the Loans from Residual Receipts. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year together with an amount equal to the Residual Receipts for the preceding calendar up to the amount of the Loan payments due. Lender shall review and approve such statement, or request revisions, within sixty (60) days after receipt. In the event Lender fails to approve or disapprove the Annual Financial Statement within the sixty (60) day period, Borrower may request a written



determination of approval or disapproval following the expiration of such period. In the event Lender fails to provide a written determination to Borrower within ten (10) days following the receipt of Borrower's request for determination, the Annual Financial Statement shall be deemed approved. In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest. All payments made by Borrower shall be applied as follows: first to pay current annual interest due, if any, first on the HOME Loan and then on the In Lieu Loan; then to the cumulative interest owed, if any, first on the HOME Loan and then on the In Lieu Loan; then to reduce the principal amount of the HOME Loan, and then to reduce the principal amount of the In Lieu Loan. Upon receipt of any payment applied to this Note, the money shall be deposited into the County's HOME account. In any event all principal owed and all current and accrued interest of the Loans shall be due and payable as provided in Section 2.5 above.

Notwithstanding the above, for each Loan, all accrued interest and principal shall be due and payable fifty five (55) years from the date of the respective Note evidencing that loan. Any balance of funds remaining at completion of construction not needed for contingency costs specified in the project budget shall be applied towards a principal pay-down on the HOME Loan.

**2.10 NOTICE REGARDING CHDO SET-ASIDE FUND REPAYMENT.** A portion of the HOME Funds under this Agreement may be provided from County's CHDO set-aside pursuant to 24 CFR 92.300. Pursuant to this Loan Agreement and the HOME Note any such set-aside funds are to be repaid to the Lender as set forth herein in the same manner as the balance of HOME Funds.

**2.11 PREPAYMENT OF LOAN.** No prepayment penalty will be charged to Borrower for payment of all or any portion of either Loan amounts prior to the end of the terms described herein. However, prepayment of the Loans shall not affect Borrower's obligations under the Regulatory Agreements.

**2.12 ANNUAL OPERATING EXPENSES.** Thirty (30) days prior to end of the calendar year 2011 and each year thereafter, Borrower shall submit to Lender, for Lender's approval, a proposed operating budget for the Project, for the following calendar year. The proposed operating budget shall include scheduled payments to be made into operating and replacement reserve accounts. If the amount of the proposed budget for the following calendar year does not exceed the budget for the prior calendar year by greater than five percent (5%) (or any one line item has not increased by greater than ten percent (10%)), the proposed budget shall be approved by Lender. Only Operating Expenses incurred by Borrower which do not exceed one hundred twenty percent (120%) of the amount approved by Lender in the approved

operating budget may be used in the calculation of Residual Receipts without Lender's prior written consent.

2.13 **RECORDING.** Upon closing date, Escrow Holder shall record the Deed of Trust and the Regulatory Agreements with the Recorder for the County of Santa Barbara, and shall deliver conformed copies of the recorded documents to the Lender and Borrower.

2.14 **OPERATING AND REPLACEMENT RESERVE FUND.** Borrower shall fund a replacement reserve in the amount of not less than \$300 per unit per year and capitalize an operating reserve in the total amount which is not less than six (6) months of operating expenses including required debt service but which shall not exceed seven (7) months of operating expenses including required debt service. Reserve balances shall be provided in the Annual Financial Statement submitted to Lender annually.

### ARTICLE 3 LOAN DISBURSEMENT

3.1 **CONDITIONS PRECEDENT TO DISBURSEMENT.** Lender shall not be obligated to make any disbursements of Loan proceeds from either the HOME Loan or the In Lieu Loan or take any other action under the Loan Documents unless the following conditions precedent are satisfied prior to the disbursement of the Loans:

A. There exists no Event of Default nor any act, failure, omission or condition that with the giving of notice or passage of time would constitute an Event of Default;

B. Borrower has executed and delivered to Lender all documents, instruments, and policies required under the Loan Documents, including but not limited to an ALTA Lender's policy of title insurance from a title insurance company approved by the Lender in a form reasonably acceptable to Lender and an appraisal on the Property;

C. Borrower has provided to Lender a certificate of insurance or copy of the insurance policy, and Lender has approved such policy;

D. Borrower has complied with all reporting requirements set forth in this Loan Agreement;

E. Lender has reviewed and approved the proposed use of the Loan proceeds, as shown on Exhibit B.

F. Borrower has been issued a certificate of occupancy for the Project.

3.2 **DISBURSEMENT OF LOAN PROCEEDS.** Disbursement of Loan proceeds shall not exceed a total from both the HOME Loan and the In Lieu Loan of One Million Twenty Two Thousand One Hundred Seventy Six Dollars (\$1,022,176). Lender must approve all requests for payment prior to disbursement of Loan proceeds.. Loan proceeds may be distributed

though the escrow for all loan amounts which have been approved by Lender. Notwithstanding the above, as a special disbursement condition, Lender shall hold back Ten Thousand Dollars (\$10,000) of HOME funds for general development costs until 30 days after Borrower has completed the construction of the Project and provided beneficiary data for all non-manager Units as required under the HOME Program; and any and all liens against the Property are released. All Loan funds shall be used as specified in the Sources and Uses identified in the Budget attached hereto as Exhibit B and incorporated herein by this reference.

3.3 **AMOUNT OF DISBURSEMENT.** Loan proceeds shall be disbursed up to the amount of the Loan shown in the Budget and only for Lender approved items and only for expenses already incurred for eligible expenses. Changes in individual items comprising the Budget shall require the prior written request of Borrower and the written consent of Lender. However, Lender's obligations shall in no event exceed the Loan amount specified in this Loan Agreement.

## **ARTICLE 4 COMPLIANCE WITH HOME REQUIREMENTS**

4.1 **COMPLIANCE WITH HOME PROGRAM AND OTHER FEDERAL REQUIREMENTS.** All requirements imposed on properties assisted under the HOME program as contained in 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92, and other implementing rules and regulations are incorporated by this reference. In the event of any conflict between this Loan Agreement and the HOME regulations, the HOME regulations shall govern, unless otherwise waived by the Lender.

The laws and regulations governing the use of the Loan proceeds include (but are not limited to) the following:

A. **Applicability of OMB Circulars.** The applicable policies, guidelines, and requirements of OMB Circulars Nos. A-87, A-102, Revised, A-110 and A-122.

B. **Audit requirements.** In accordance with 24 CFR 84.26 and 85.26, agencies that expend \$500,000 or more in federal funds in a year as calculated therein must undergo a single audit in compliance with OMB Circular A-133.

C. **Architectural Barriers.** The requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157).

D. **Handicap Discrimination.** The requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 706), and federal regulations issued pursuant thereto, which prohibits discrimination against the handicapped in any federally assisted program.

E. **Training Opportunities.** The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701, requiring that to the greatest

extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project. Developer agrees to include the following language in all subcontracts executed under this Agreement:

“The work to be performed under this agreement is a project assisted under a program providing direct federal financial assistance from HUD and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended 12 U.S.C. 1701. Section 3 requires that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project.”

F. HUD Regulations. Any other HUD regulations present or as may be amended, added, or waived in the future pertaining to HOME.

4.2 **RELOCATION.** If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws. Borrower hereby agrees to indemnify Lender for any action brought against Lender based on an alleged failure to comply with relocation obligations on this Project.

4.3 **PROPERTY STANDARDS.** Borrower shall maintain and operate the Project in good repair and habitable condition and in full conformance with applicable local, state and federal statutes and regulations and building and housing codes, including:

- A. All applicable state and local building and zoning ordinances; and
- B. International Energy Conservation Code and applicable state and local energy conservation codes;
- C. Handicapped accessibility requirements, Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended and with implementing regulations at 24 CFR Part 8; and
- D. Site and neighborhood standards as set forth at 24 CFR 893.6(b).

The above property standards shall apply throughout the HOME and In Lieu Affordability periods.

## ARTICLE 5 OPERATION

5.1 **OPERATION OF PROJECT.** Borrower shall operate and manage the Project in full conformance with the terms of the Regulatory Agreements.

Borrower shall agree to maintain and operate the In Lieu and HOME Assisted Units so as to provide decent, safe, and sanitary housing and provide the Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to the other dwelling units in the Project. Optional services provided must be available to all residents under the same terms and conditions.

Borrower agrees that during the term of the Regulatory Agreements, Lender shall have the right to review, approve and request material changes to the Management Plan, operation of the building and property management entity, in order to preserve the affordability, physical appearance and condition of the Project. Any changes not disapproved by Lender within thirty (30) days after receipt of such changes shall be deemed approved.

**5.2 DESIGNATED HOME ASSISTED UNITS.** Eleven (11) units in the Project shall be designated as HOME Assisted Units and shall meet the following standards:

- A. The eleven HOME Assisted Units shall be designated as “floating” units, so that the units that are designated as HOME Assisted under this Agreement may change over time as long as the total number of HOME Assisted units in the Project remains constant;
- B. Generally reflect the average number of bedrooms per dwelling unit in the Project;
- C. Be similarly constructed and of comparable quality to all other units in the Project;
- D. Be dispersed throughout the Project;
- E. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units; and
- F. A Unit in the Project cannot be a HOME Assisted Unit at the same time that it is an In Lieu Assisted Units.

**5.3 DESIGNATED IN-LIEU ASSISTED UNITS.** Eleven (11) units in the Project shall be designated as In Lieu Assisted Units and shall meet the following standards:

- A. The eleven In Lieu Assisted Units shall be designated as “floating” units, so that the units that are designated as Assisted under this Agreement may change over time as long as the total number of In Lieu Assisted units in the Project remains constant;
- B. Generally reflect the average number of bedrooms per dwelling unit in the Project;
- C. Be similarly constructed and of comparable quality to the other Units in the Project; and
- D. Be dispersed through the Project.

**5.4 AFFIRMATIVE MARKETING PLAN.** No later than thirty (30) days following the date of execution of this Agreement, the Borrower shall submit to the Lender for approval its plan for marketing the In Lieu and HOME Assisted Units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender’s affirmative fair housing marketing guidelines. Any changes to the Marketing Plan must be approved in

writing by the County. At a minimum the Project must meet the affirmative marketing requirements set forth in 24 CFR 92.351.

**5.5 MANAGEMENT PLAN.** Before leasing or operating any portion of the Project, Borrower shall submit its proposed form of Management Plan, and management contract for the on-going management and operation of the Project for Lender's review and approval. Any changes to the Management Plan must be approved in writing by the County. Borrower's approved Management Plan is attached hereto as Exhibit I.

**5.6 LEASING THE PROJECT.** Before leasing any portion of the Project, Borrower shall submit its proposed form of lease for Lender's review and approval. The term of the Lease shall be for no less than one year and shall not contain any provision which is prohibited by 24 C.F.R. Section 92.253(b) and any modifications thereto. No rent increase shall occur at any time during the term of the lease. Any termination of the Lease or refusal to renew must be in conformance with 24 C.F.R. 92.253(c) and any modifications thereof must be preceded by not less than 30 days written notice to the tenant by the Borrower specifying the grounds for the action.

**5.7 TENANT SELECTION.** Before leasing the Project, Borrower shall provide Lender for its review and approval Borrower's written tenant selection plan. The Borrower's tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(e) and any modifications thereto.

Borrower shall rent the Assisted Units to any Qualifying Household according to the tenant selection plan. Borrower shall verify the prospective tenant's eligibility and require from each tenant, a statement that such household's income from all sources does not exceed allowable limits as described the Regulatory Agreements.

**5.8 INCOME CERTIFICATION.** Borrower shall limit for the full term of the Regulatory Agreements the rental of Assisted Units to Qualifying Households according to the schedule and methods contained in respective Regulatory Agreements.

**5.9 AFFORDABILITY RESTRICTIONS.** Eleven (11) units in the Project shall be designated as HOME Assisted Units and Eleven (11) units in the Project shall be designated as In Lieu Assisted Units. All of the Assisted Units must be occupied, or reserved for occupancy by, Qualifying Households, as set forth in the Regulatory Agreements.

**5.10 ASSISTED UNIT RENTS.** Rents for Assisted Units shall be limited to Qualifying Rents as set forth in respective Regulatory Agreements.

**5.11 CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY.** Any conflicts between the restrictive provisions contained in this Loan Agreement, Notes, Deed of Trust, Regulatory Agreements, and any other agreements in connection with the Loan which affect the Property, are to be resolved by applying the more restrictive covenants or restrictions which affect the Property.

5.12 **NONDISCRIMINATION.** Borrower shall not discriminate or segregate in the development, construction, use, enjoyment, occupancy, conveyance, lease, sublease, or rental of any part of the Property on the basis of race, color, ancestry, national origin, religion, sex, sexual preference or orientation, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC) acquired or perceived, or any other arbitrary basis. Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination in housing.

5.13 **RECORDS.** Borrower shall be accountable to Lender for all funds disbursed to Borrower pursuant to the Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures drawn from Loan funds, and to keep all invoices, receipts, and other documents related to expenditures from said Loan funds for not less than five years after completion of the Project as evidenced by the close-out of the project in the federal Integrated Disbursement and Information System. Tenant income, rent and inspection information must be kept for the most recent five years, until five years after the affordability period ends. Records must be kept accurate and current. Lender shall notify Borrower of any records it deems insufficient. Borrower shall have fifteen (15) calendar days from the date of said notice to correct any deficiency in the records specified by Lender in said notice, or, if more than fifteen (15) days shall be reasonably necessary to correct the deficiency, Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

Borrower shall promptly comply with all requirements or conditions of the Loan Documents relating to notices, extensions, and other events required to be reported or requested. Borrower shall promptly supply, upon the request of Lender, any and all information and documentation which involves the Project and cooperate with Lender in the development of the Project.

5.14 **AUDITS.** Borrower shall make available for examination at reasonable intervals and during normal business hours to Lender all books, accounts, reports, files, and other papers or property with respect to all matters covered by these Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to the Loans.

5.15 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this Loan Agreement, Borrower shall not engage in any financing or any other transaction creating any security interest or other encumbrance or lien upon the Property, whether by express agreement or operation of law, or allow any encumbrance or lien to be made on or attached to the Property, except with the prior written consent of Lender. Borrower shall notify Lender in writing in advance of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter into with respect to the Project or Property, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of Borrower or otherwise.

**5.16 TRANSFER OF PROPERTY.** Borrower has not made or created, and shall not, make or permit any sale, assignment, conveyance, lease (other than the leasing of Units in the Project pursuant to an approved lease), or other transfer of this Loan Agreement, the Project, or the Property, or any part thereof, including the sale or transfer of any general partnership interests, without the prior written consent of Lender. Notwithstanding the foregoing, if Borrower is a limited partnership and fails to perform any of its obligations, duties or covenants under any Loan Documents or a default by the Borrower's general partner occurs pursuant to the terms of the limited partner shall be entitled to remove the Borrower's general partner and substitute a new general partner upon approval in writing by Lender. Such removal and substitution with Lender's written approval shall not constitute a default under the Loan Documents or cause the acceleration of the Loan or entitle Lender to exercise its other remedies under the Loan Documents. Lender's approval of the installation of the substitute general partner shall not be unreasonably withheld or delayed. In the event Lender has not approved or unreasonably disapproved limited partner's request to remove and substitute a general partner within thirty (30) days of Lender's receipt of limited partner's written request, limited partner's request shall be deemed approved. Notwithstanding anything to the contrary contained herein, a transfer of a limited partner interest as defined in the Agreement of limited partnership, as amended, shall not be deemed a transfer under this Agreement.

**5.17 FEES, TAXES, AND OTHER LEVIES.** Borrower shall be responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Project, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful.

**5.18 PROPERTY STANDARDS.** The Development shall meet the following minimum property standards.

- A. All applicable State and local codes and zoning ordinances;
- B. International Energy Conservation Code and applicable state and local energy conservation codes;
- C. Handicapped accessibility requirements, at 24 CFR part 8 and
- D. Site and neighborhood standards at 24 CFR 893.6(b).

**5.19 DAMAGE TO PROPERTY.** If any building or Improvements erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its cost and expense, diligently undertake to repair or restore said buildings and Improvements consistent with the original Plans and Specifications for the Project if Borrower reasonably determines that such restoration or repair is economically feasible. Such work or repair shall be commenced within 120 days after the damage or loss occurs and shall be complete within one year thereafter, subject to any extensions of time granted pursuant to the provisions of Section 4.16. Subject to Borrower's election to rebuild, all insurance proceeds collected for such damage



or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Borrower shall make up the deficiency.

**5.20 EQUAL EMPLOYMENT OPPORTUNITY.** Borrower and any contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal employment opportunity. Borrower and any contractors, subcontractors, and professional service providers for the Project shall have comply with all requirements concerning equal opportunities for business and lower-income persons (referred to as a Section 3 clause, of the HUD Act of 1968, 12 U.S.C.).

## **ARTICLE 6 INDEMNITY AND INSURANCE**

**6.1 INDEMNITY AND INSURANCE.** Borrower shall comply with the insurance and indemnification provisions set forth in Exhibit H and incorporated herein by this reference.

**6.2 FLOOD INSURANCE.** If the Property is in a designated Flood Zone, then in addition to the insurance described above Borrower shall maintain flood insurance on the Property unless and until such time that the Property is officially removed from the flood zone by way of a Letter of Map Revision (“LOMR”) or Letter of Map Amendment (“LOMA”) issued by the Federal Emergency Management Agency (FEMA). If a LOMR/LOMA is not received, the project shall continue to maintain flood insurance, at the expense of the project owner, with insurance limits of liability equal to the final completed value of the Project and naming the Lender as a loss payee.

**6.3 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.** No officials, employees and agents of Lender shall be personally liable to Borrower for any obligation created under the terms of these Loan Documents.

## **ARTICLE 7 HAZARDOUS MATERIALS**

**7.1 REPRESENTATIONS AND WARRANTIES.** After reasonable investigation and inquiry, Borrower hereby represents and warrants to the best of its knowledge, as of the date of this Loan Agreement and except as previously disclosed and acknowledged in writing by Lender or as disclosed by the reports based on environmental audit(s) performed on the Property and submitted to Lender, that (a) the Property is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials in violation of Federal or State law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including those relating to soil and groundwater conditions (“Hazardous Materials Laws”); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental entity or agency or any

other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

**7.2 NOTIFICATION TO LENDER.** Borrower shall promptly notify Lender in writing of: (a) the discovery of any concentration or amount of Hazardous Materials of which Borrower becomes aware on or under the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge by Borrower (after verification of the veracity of such knowledge to Borrower's reasonable satisfaction) that the Property does not comply with any Hazardous Materials Laws; (c) the receipt by Borrower of written notice of any Hazardous Materials claims; and (d) the discovery by Borrower of any occurrence or condition on the Property or on any real property located within 2,000 feet of the Property that could cause the Property or any part thereof to be designated as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

**7.3 USE AND OPERATION OF PROPERTY.** Neither Borrower, nor any agent, employee, or contractor of Borrower, nor any authorized user of the Property shall use the Property or allow the Property to be used for the generation, manufacture, storage, disposal, or release of Hazardous Materials. Borrower shall comply and cause the Project to comply with Hazardous Materials Laws.

**7.4 REMEDIAL ACTIONS.** If Borrower has actual knowledge of the presence of any Hazardous Materials on or under the Property, Borrower shall take, at no cost or expense to Lender, all handling, treatment, removal, storage, decontamination, cleanup, transport, disposal or other remedial action, if any, required by any Hazardous Materials Laws or by any orders or requests of any governmental entity or agency or any judgment, consent decree, settlement or compromise with respect to any Hazardous Materials claims. The foregoing, however, shall be subject to Borrower's right of contest below.

**7.5 RIGHT OF CONTEST.** Borrower may contest in good faith any claim, demand, levy or assessment under Hazardous Materials Laws if: (a) the contest is based on a material question of law or fact raised by Borrower in good faith, (b) Borrower promptly commences and thereafter diligently pursues the contest, (c) the contest will not materially impair the taking of any remedial action with respect to such claim, demand, levy or assessment, and (d) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful and any remedial action then reasonably necessary. No Event of Default shall be deemed to exist with respect to any claim, demand, levy or attachment being contested by Borrower under the conditions of this section.

7.6 **ENVIRONMENTAL INDEMNITY.** Borrower shall defend, indemnify, and hold Lender free and harmless against any claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including all costs of legal proceedings and reasonable attorney's fees, that Lender may directly or indirectly sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this Loan Agreement with respect to Hazardous Materials, or as a consequence of any use, generation, manufacture, storage, release, or disposal (whether or not Borrower knew of same) of any Hazardous Materials occurring prior to or during Borrower's use or occupancy of the Property.

## ARTICLE 8 DEFAULT AND REMEDIES

8.1 **EVENTS OF DEFAULT.** The occurrence of any of the following events shall constitute an "Event of Default" under this Loan Agreement:

A. Monetary. (1) Borrower's failure to pay when due any sums payable under the Note or any advances made by Lender under the Deed of Trust or this Loan Agreement; (2) Borrower's use of Loan funds for costs other than approved costs or for uses inconsistent with other terms and restrictions in the Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this Loan Agreement; (4) Borrower's failure to make any other payment or assessment due under the Loan Documents; (5) Borrower's failure to pay taxes; (6) Borrower's default under other debt secured by the Property after the applicable notice and cure periods have expired;

B. Operation. (1) Discrimination by Borrower on the basis of characteristics prohibited by this Loan Agreement or applicable law (2) the imposition of any encumbrances or liens on the Property without Lender's prior written approval that are prohibited under this Loan Agreement or that have the effect of reducing the priority of or invalidating the Deed of Trust or (3) failure to maintain the Property in a safe and habitable condition;

C. General performance of Loan obligations. Any substantial breach by Borrower beyond applicable notice and cure periods of any material obligations on Borrower imposed in the Loan Documents;

D. General performance of other obligations. Any substantial or continuous breach by Borrower beyond applicable notice and cure periods of any material obligations on Borrower imposed by any other agreements, including any grant agreements, with respect to the financing, construction, or operation of the Project or the Property, whether or not Lender is a party to such agreement which may materially impair Lender's security;

E. Representations and warranties. A determination by Lender that its security has or will be materially impaired due to the fact that any of Borrower's representations or warranties made in the Loan Documents, or any certificates, documents, or schedules supplied

to Lender by Borrower were untrue in any material respect when made, or that Borrower concealed or failed to disclose a material fact from Lender;

F. Damage to Property. Material damage or destruction to the Property by fire or other casualty, if Borrower does not take steps to reconstruct the Property as required by the Loan Documents;

G. Bankruptcy, dissolution, and insolvency. Borrower's (1) filing for bankruptcy, dissolution, or reorganization, or failure to obtain a full dismissal of any such involuntary filing brought by another party before the earlier of final relief or ninety (90) days after the filing; (2) making a general assignment for the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or liquidator, or failure to obtain a full dismissal of any such involuntary application brought by another party before the earlier of final relief or ninety (90) days after the filing; (4) insolvency; (5) failure, inability or admission in writing of its inability to pay its debts as they become due.

H. Program compliance. Any non-compliance with HOME Program requirements described in this Loan Agreement and the Regulatory Agreements pursuant to the HOME Investment Partnerships Program Final Rule at 24 CFR § 92, including other Federal Requirements at 24 CFR 92 Subpart H.

**8.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE.** For all Events of Default, Lender shall give written notice to Borrower of any Event of Default by specifying: (a) the nature of the event or deficiency giving rise to the Default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days from the date of receipt of the notice or the date the notice was refused, by which such action to cure must be taken or if a cure is not possible within thirty (30) days, to begin such cure and diligently prosecute such cure to completion which shall, in any event, not exceed ninety (90) days from the date of receipt of the notice to cure. The Lender has the sole discretion to determine whatever additional reasonable time is needed to cure. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any default made or tendered by Borrower's Limited Partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

**8.3 LENDER'S REMEDIES.** Upon the happening of an Event of Default by Borrower and a failure to cure said Event of Default within the time specified in Section 8.2 above, Lender's obligation to disburse Loan proceeds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the Loan Documents or applicable law, proceed with any or all of the following remedies in any order or combination Lender may choose in its sole discretion:

A. Terminate this Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the Note, as well as any other monies

advanced to Borrower by Lender under the Loan Documents including administrative costs, shall immediately become due and payable at the option of Lender;

B. Bring an action in equitable relief (1) seeking the specific performance by Borrower of the terms and conditions of the Loan Documents, and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief;

C. Accelerate the Loans, and demand immediate full payment of the principal amount outstanding and all accrued interest under the Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents;

D. Enter the Property and take any actions necessary in its judgment to complete construction of the Project, including without limitation (1) making changes in the Scope of Construction Work or other work or materials with respect to the Project, (2) entering into, modifying, or terminating any contractual arrangements (subject to Lender's right at any time to discontinue work without liability), and (3) taking any remedial actions with respect to Hazardous Materials that Lender deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy;

E. Seek appointment from a court of competent jurisdiction of a receiver with the authority to complete construction as needed to preserve Lender's interest in seeing the Project developed in a timely manner (including the authority to take any remedial actions with respect to Hazardous Materials that Lender or the receiver deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy);

F. Order immediate stoppage of construction work and demand that any condition leading to the Event of Default be corrected before construction work may continue;

G. Disburse from Loan proceeds any amount necessary to cure any monetary default;

H. Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect rents and other amounts specified in the assignment of rents in the Deed of Trust and apply them to operate the Property or to pay off the Loan or any advances made under the Loan Documents, as provided for by the Deed of Trust;

I. Initiate and pursue any private and/or judicial foreclosure action allowed under applicable law and the power of sale provision in the Deed of Trust;

J. With respect to defaults under Hazardous Materials provisions herein, pursue the rights and remedies permitted under California Civil Code Section 2929.5, and California Code of Civil Procedure Sections 564, 726.5, and 736; or

K. Pursue any other remedy allowed at law or in equity. Nothing in this section is intended or shall be construed as precluding Lender from proceeding with a nonjudicial foreclosure under the power of sale contained in the Deed of Trust in the Event of Default by Borrower and failure to cure as provided in Section 8.2.

## ARTICLE 9 GENERAL PROVISIONS

9.1 **BORROWER'S WARRANTIES.** Borrower represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of these Loan Documents and the Regulatory Agreements, and to otherwise carry out the Project, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the Project and to execute the Loan Documents, (4) that the persons executing and delivering the Loan Documents are authorized to execute and deliver such documents on behalf of Borrower, (5) that there has been no substantial adverse change in Borrower's financial condition since the date of application for the loans such as judgment liens, tax liens, mechanic's liens, bankruptcy, etc.; and (6) that all representations in the Borrower's loan application (including all supplementary submissions) are true, correct and complete in all material respects and are offered to induce Lender to make the HOME Loan and the In Lieu Loan. Surf Development Company represents and warrants that it is authorized to enter into this Agreement and the other Loan Documents on behalf of Borrower.

9.2 **MONITORING AND EVALUATION.** Except as otherwise provided for in this Loan Agreement, Borrower shall maintain and submit records to Lender within ten (10) business days of Lender's request which clearly document Borrower's performance under each requirement of the Loan Documents.

9.3 **CONFLICTS OF INTEREST.** Borrower covenants that:

A. Except for approved eligible administrative or personnel costs, no person described in subsection (B) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this contract or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. The Borrower shall exercise due diligence to ensure that the prohibition in this Section is followed.

B. The conflict of interest provisions of Section 9.3(A) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any elected or appointed official of the County, or any person related within the third (3rd) degree of such person.

9.4 **POLITICAL ACTIVITY.** None of the funds, materials, property or services contributed by Lender or Borrower under this Loan Agreement shall be used for any partisan political activity or the election or defeat of any candidate for public office.

9.5 **PUBLICITY.** Any publicity produced by Borrower for the Project during the term of the Loans and for one year thereafter shall make reference to the contribution of Lender in making the Project possible. The words "The County of Santa Barbara" will be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews, and newspaper articles. Borrower further agrees to cooperate with authorized staff and officials of Lender in any Lender-generated publicity or promotional activities undertaken with respect to the Project.

9.6 **TERM OF THIS AGREEMENT.** This Loan Agreement shall commence on the date set forth above and remain in full force and effect throughout the term of the Loans. The Project shall comply with the HOME Program and HOME Regulatory Agreement requirements throughout the HOME Affordability Period, regardless of the term of this Agreement.

9.7 **GOVERNING LAW.** The Loan Documents shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law or those provisions preempted by federal law.

9.8 **STATUTORY REFERENCES.** All references in the Loan Documents or Regulatory Agreements to particular statutes, regulations, ordinances, or resolutions of the United States, the State of California, or the County of Santa Barbara shall be deemed to include the same statute, regulation, ordinance, or resolution as hereafter amended or renumbered, or if repealed, to such other provisions as may thereafter govern the same subject as the provision to which specific reference was made.

9.9 **TIME.** Time is of the essence in these Loan Documents.

9.10 **CONSENTS AND APPROVALS.** Any consent or approval of Lender or Borrower required under the Loan Documents shall not be unreasonably withheld. Any approval required under the Loan Documents shall be in writing and executed by an authorized representative of the party granting the approval.

9.11 **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Borrower and Lender shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Borrower and Lender as follows:

**LENDER:** County of Santa Barbara  
Housing and Community Development  
105 E Anapamu Street, Room 105

Santa Barbara, CA 93101  
Attn: Grants Administration Division Chief

With copy to: Office of County Counsel  
County of Santa Barbara  
105 E Anapamu Street, Room 201  
Santa Barbara, CA 93101

**BORROWER:** McClelland Santa Maria, L.P.  
c/o Surf Development Company  
815 West Ocean Avenue  
Lompoc, CA 93436  
Attn: Executive Director

9.12 **BINDING UPON SUCCESSORS.** All provisions of these Loan Documents shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of each of the parties; provided, however, that this section does not waive the prohibition on assignment of this Loan Agreement by Borrower without Lender's consent.

9.13 **RELATIONSHIP OF PARTIES.** The relationship of Borrower and Lender for this Project under this Loan Agreement is and at all times shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship. Lender neither undertakes nor assumes any responsibility or duty to Borrower (except as provided for herein) or any third party with respect to the Project, the Property, or the Loans.

9.14 **ASSIGNMENT AND ASSUMPTION.** Borrower shall not assign any of its interests under this Loan Agreement or the Loan Documents to any other party, except as specifically permitted under the terms of the Loan Documents, without the prior written consent of Lender. Any unauthorized assignment shall be void.

9.15 **WAIVER.** Any waiver by Lender of any obligation in these Loan Documents must be in writing. No waiver will be implied from any delay or failure by Lender to take action on any breach or default of Borrower or to pursue any remedy allowed under the Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the Loan Documents shall not operate as a waiver or release from any of its obligations under the Loan Documents. Consent by Lender to any act or omission by Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.



9.16 **INTEGRATION.** This Loan Agreement and the other Loan Documents, including exhibits, executed by Borrower for the Property, if any, contain the entire agreement of the parties and supersede any and all prior negotiations.

9.17 **OTHER AGREEMENTS.** Borrower represents that it has not entered into any agreements that are inconsistent with the terms of the Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of the Loan Documents without an express waiver by Lender in writing.

9.18 **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to the Loan Documents must be in writing, and shall be made only if executed by both Borrower and Lender.

9.19 **SEVERABILITY.** Every provision of this Loan Agreement is intended to be severable. If any provision of this Loan Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

IN WITNESS WHEREOF, County and McClelland Santa Maria, L.P. have caused this Agreement to be executed by their respective duly authorized officer.

**ATTEST:**

CHANDRA L. WALLAR  
Clerk of the Board

**COUNTY:**

County of Santa Barbara,  
a political subdivision of the State of California

By: \_\_\_\_\_  
Deputy Clerk of the Board

By: \_\_\_\_\_  
Joni Gray, Chair  
Board of Supervisors

**APPROVED AS TO ACCOUNTING FORM:**

ROBERT W. GEIS  
AUDITOR-CONTROLLER

By: \_\_\_\_\_  
Juan Izquierdo  
Division Chief

**McClelland Santa Maria, L.P.**  
a California limited partnership

By: Surf Development Company, a California  
Non-profit public benefit corporation,  
Managing General Partner

By: \_\_\_\_\_  
Name: Joyce Howerton  
Title: Vice-President

**APPROVED AS TO FORM**

DENNIS A. MARSHALL  
COUNTY COUNSEL

By: \_\_\_\_\_  
Mary L. McMaster  
Deputy County Counsel

AND

By: Roope, LLC  
Administrative General Partner

By: \_\_\_\_\_  
Name: Caleb Roope  
Title: Manager

**APPROVED AS TO FORM:**

**RISK MANAGEMENT**

By: \_\_\_\_\_  
Ray Aromatorio  
Risk Manager

Expenditure Accounting Information  
Fund: 0066      Dept: 055  
Line Item: 7650      Program: 6000

**EXHIBIT A**

**LEGAL DESCRIPTION OF THE PROPERTY**

**EXHIBIT B**  
**PROJECT BUDGET**

**DEVELOPMENT BUDGET**  
**Rancho Hermosa**  
**Santa Maria, CA**

	Project Costs	Cost Per Unit	Cost Per Res. Sq. Ft.	Tax Credit Eligible Basis
<b>Total Land Costs</b>	<b>\$ 3,380,806</b>	<b>\$ 71,932</b>	<b>\$ 54.64</b>	XXXXXXXXXX
<b>Total Acquisition Costs</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>New Construction and/or Rehabilitation</b>				
Off-Site Work	\$ -	\$ -	\$ -	XXXXXXXXXX
Prevailing Wages	\$ 541,500	\$ 11,521	\$ 8.75	\$ 541,500
On Site Work	\$ 1,312,199	\$ 27,919	\$ 21.21	\$ 1,312,199
Structures	\$ 9,943,309	\$ 211,560	\$ 160.70	\$ 9,943,309
General Requirements	\$ 259,600	\$ 5,523	\$ 4.20	\$ 259,600
Contractor Overhead	\$ 471,880	\$ 10,040	\$ 7.63	\$ 471,880
Contractor Profit	\$ 920,101	\$ 19,577	\$ 14.87	\$ 920,101
Construction Contingency	\$ 71,388	\$ 1,519	\$ 1.15	\$ 71,388
<b>Total Construction Costs</b>	<b>\$ 13,519,977</b>	<b>\$ 287,659</b>	<b>\$ 218.50</b>	<b>\$ 13,519,977</b>
<b>Financing Costs</b>				
Construction Loan Interest	\$ 126,022	\$ 2,681	\$ 2.04	\$ 126,022
Construction Loan Fee	\$ 103,485	\$ 2,202	\$ 1.67	\$ 103,485
Construction Lender Costs (Legal, Etc.)	\$ 84,625	\$ 1,801	\$ 1.37	\$ 84,625
Construction Lender & CalHFA Inspections	\$ -	\$ -	\$ -	\$ -
Permanent Loan Fees - MHSA	\$ -	\$ -	\$ -	XXXXXXXXXX
Permanent Loan Costs - MHSA	\$ -	\$ -	\$ -	XXXXXXXXXX
Tax Credit Fees	\$ 130,008	\$ 2,766	\$ 2.10	XXXXXXXXXX
Bond Counsel	\$ -	\$ -	\$ -	XXXXXXXXXX
Financial Advisor	\$ -	\$ -	\$ -	\$ -
<b>Total Financing Costs</b>	<b>\$ 444,140</b>	<b>\$ 9,450</b>	<b>\$ 7.18</b>	<b>\$ 314,132</b>
<b>Soft Costs</b>				
Architectural	\$ 781,385	\$ 16,625	\$ 12.63	\$ 781,385
Engineering/Surveying/Environmental	\$ 185,167	\$ 3,940	\$ 2.99	\$ 185,167
Taxes During Construction	\$ 19,259	\$ 410	\$ 0.31	\$ 19,259
Insurance	\$ 146,255	\$ 3,112	\$ 2.36	\$ 146,255
Title & Recording	\$ 40,910	\$ 870	\$ 0.66	\$ 40,910
Borrower Attorney	\$ 88,341	\$ 1,880	\$ 1.43	\$ 88,341
Appraisal	\$ 10,200	\$ 217	\$ 0.16	\$ 10,200
Local Tap, Building Permit, & Impact Fees	\$ 1,651,179	\$ 35,131	\$ 26.69	\$ 1,651,179
Marketing	\$ 50,095	\$ 1,066	\$ 0.81	XXXXXXXXXX
Relocation Costs	\$ -	\$ -	\$ -	XXXXXXXXXX
Furnishings	\$ 30,000	\$ 638	\$ 0.48	\$ 30,000
Cost Certification & Accounting	\$ 73,464	\$ 1,563	\$ 1.19	\$ 73,464
Market Study	\$ 17,008	\$ 362	\$ 0.27	\$ 17,008
Soft Cost Contingency	\$ 32,500	\$ 691	\$ 0.53	\$ 32,500
Developer Overhead & Profit	\$ 1,205,612	\$ 25,651	\$ 19.48	\$ 1,205,612
Consultant Fee	\$ 194,388	\$ 4,136	\$ 3.14	\$ 194,388
<b>Total Soft Costs</b>	<b>\$ 4,525,762</b>	<b>\$ 96,293</b>	<b>\$ 73.14</b>	<b>\$ 4,475,667</b>
<b>Reserves</b>				
MHSA Rental Assistance Reserve	\$ -	\$ -	\$ -	XXXXXXXXXX
Post Construction Interest	\$ 124,829	\$ 2,656	\$ 2.02	XXXXXXXXXX
Operating & Rent Reserve	\$ 235,000	\$ 5,000	\$ 3.80	XXXXXXXXXX
<b>Total Reserve Costs</b>	<b>\$ 359,829</b>	<b>\$ 7,656</b>	<b>\$ 5.82</b>	XXXXXXXXXX
<b>Totals</b>	<b>\$ 22,230,514</b>	<b>\$ 472,990</b>	<b>\$ 359.28</b>	<b>\$ 18,309,776</b>

**SOURCES & USES****Rancho Hermosa  
Santa Maria, CA****CONSTRUCTION PHASE**

<b>Sources of Funds</b>		<b>Uses of Funds</b>	
Tax Credit Financing	\$ 684,361	Total Land Costs	\$ 3,380,806
TCAP Loan	\$ 13,339,905	Total Acquisition Costs	\$ -
SB County HOME	\$ -	New Construction and/or Rehabilitation	\$ 13,448,589
Other	\$ -	Construction Contingency	\$ 71,388
Other	\$ -	Financing Costs	\$ 444,140
Other	\$ -	Architecture & Engineering	\$ 966,552
Deferred Costs	\$ 301,636	Other Soft Costs	\$ 2,321,098
Deferred Contractor Profit	\$ -	Developer Fees	\$ 1,205,612
Deferred Developer Fee	\$ 1,005,612	Soft Cost Contingency	\$ 32,500
Construction Loan	\$ 6,899,000	Reserves	\$ 359,829
<b>Total Sources of Funds</b>	<b>\$ 22,230,514</b>	<b>Total Uses of Funds</b>	<b>\$ 22,230,514</b>

**PERMANENT PHASE**

<b>Sources of Funds</b>		<b>Uses of Funds</b>	
Total Tax Credit Financing	\$ 3,421,804	Total Land Costs	\$ 3,380,806
Permanent Loan	\$ -	Total Acquisition Costs	\$ -
TCAP Loan	\$ 17,786,540	New Construction and/or Rehabilitation	\$ 13,448,589
SB County HOME	\$ 1,022,170	Construction Contingency	\$ 71,388
Other	\$ -	Financing Costs	\$ 444,140
Other	\$ -	Architecture & Engineering	\$ 966,552
Other	\$ -	Other Soft Costs	\$ 2,321,098
Other	\$ -	Developer Fees	\$ 1,205,612
Other	\$ -	Soft Cost Contingency	\$ 32,500
Deferred Developer Fee	\$ -	Reserves	\$ 359,829
<b>Total Sources of Funds</b>	<b>\$ 22,230,514</b>	<b>Total Uses of Funds</b>	<b>\$ 22,230,514</b>

Rancho Hermosa  
Multi-Year Stabilized Operating Pro-Forma

Santa Maria, CA

Rev. 11/3/11

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 1	Year 2	Year 3	Year 4	Year 5
1BR/1BA	20%	217	1	2.5%	2,604	2,669	2,736	2,804	2,874
1BR/1BA	25%	285	1	2.5%	3,420	3,506	3,593	3,683	3,775
1BR/1BA	30%	353	1	2.5%	4,236	4,342	4,450	4,562	4,676
1BR/1BA	40%	489	1	2.5%	5,868	6,015	6,165	6,319	6,477
2BR/1BA	20%	262	1	2.5%	3,144	3,223	3,303	3,386	3,470
2BR/1BA	25%	343	1	2.5%	4,116	4,219	4,324	4,432	4,543
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	32,616	33,431	34,267	35,124	36,002
3BR/2BA	25%	396	9	2.5%	42,768	43,837	44,933	46,056	47,208
3BR/2BA	30%	490	10	2.5%	58,800	60,270	61,777	63,321	64,904
3BR/2BA	40%	678	11	2.5%	89,496	91,733	94,027	96,377	98,787
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	11,760	12,054	12,355	12,664	12,981
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>258,828</b>	<b>265,299</b>	<b>271,931</b>	<b>278,729</b>	<b>285,698</b>
<b>OTHER INCOME</b>									
Project-Based Rental Assistance			47	2.5%	98,230	100,686	103,203	105,783	108,428
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	7,050	7,226	7,407	7,592	7,782
<b>TOTAL OTHER INCOME</b>					<b>105,280</b>	<b>107,912</b>	<b>110,610</b>	<b>113,375</b>	<b>116,209</b>
<b>TOTAL INCOME</b>					<b>364,108</b>	<b>373,211</b>	<b>382,541</b>	<b>392,104</b>	<b>401,907</b>
Less Vacancy Allowance				7%	(25,488)	(26,125)	(26,778)	(27,447)	(28,133)
<b>GROSS INCOME</b>					<b>338,620</b>	<b>347,086</b>	<b>355,763</b>	<b>364,657</b>	<b>373,774</b>
<b>OPERATING EXPENSES</b>									
Real Estate Taxes & Special Assessments	\$	106	1.5%	2.0%	5,000	5,100	5,202	5,306	5,412
Other Taxes	\$	17	0.2%	3.5%	800	828	857	887	918
Insurance	\$	250	3.5%	3.5%	11,750	12,161	12,587	13,027	13,483
Licenses	\$	8	0.1%	3.5%	350	362	375	388	402
Fuel & Gas	\$	12	0.2%	3.5%	600	621	643	665	689
Electricity	\$	94	1.3%	3.5%	4,400	4,554	4,713	4,878	5,049
Water & Sewer	\$	470	6.5%	3.5%	22,100	22,874	23,674	24,503	25,360
Trash Removal	\$	165	2.3%	3.5%	7,800	8,073	8,356	8,648	8,951
Pest Control	\$	21	0.3%	3.5%	1,000	1,035	1,071	1,109	1,148
Building & Maintenance Repairs	\$	376	5.2%	3.5%	17,700	18,320	18,961	19,624	20,311
Building & Maintenance Supplies	\$	235	3.2%	3.5%	11,000	11,385	11,783	12,196	12,623
Supportive Services	\$	403	5.6%	3.5%	18,950	19,613	20,300	21,010	21,746
Annual MHSA Admin. Fee	\$	-	0.0%	3.5%	-	-	-	-	-
Gardening & Landscaping	\$	282	3.9%	3.5%	13,300	13,766	14,247	14,746	15,262
Management Fee	\$	298	4.1%	3.5%	14,000	14,490	14,997	15,522	16,065
On-Site Manager(s)	\$	480	6.7%	3.5%	22,560	23,350	24,167	25,013	25,888
Other Payroll	\$	94	1.3%	3.5%	4,400	4,554	4,713	4,878	5,049
Manager's Unit Expense	\$	250	3.5%	3.5%	11,760	12,172	12,598	13,039	13,495
Cleaning Supplies	\$	47	0.6%	3.5%	2,200	2,277	2,357	2,439	2,525
Benefits	\$	43	0.6%	3.5%	2,000	2,070	2,142	2,217	2,295
Payroll Taxes & Work Comp	\$	189	2.6%	3.5%	8,900	9,212	9,534	9,868	10,213
Advertising	\$	47	0.6%	3.5%	2,200	2,277	2,357	2,439	2,525
Telephone	\$	32	0.4%	3.5%	1,500	1,553	1,607	1,663	1,721
Legal & Accounting	\$	128	1.8%	3.5%	6,000	6,210	6,427	6,652	6,885
Office Supplies & Expense	\$	32	0.4%	3.5%	1,500	1,553	1,607	1,663	1,721
Miscellaneous Administrative	\$	121	1.7%	3.5%	5,630	5,827	6,031	6,242	6,461
<b>TOTAL OPERATING EXPENSES</b>	\$	<b>4,200</b>			<b>197,400</b>	<b>204,234</b>	<b>211,306</b>	<b>218,623</b>	<b>226,196</b>
Replacement Reserves	\$	500		0.0%	23,500	23,500	23,500	23,500	23,500
Operating Reserves	\$	-		0.0%	-	-	-	-	-
<b>TOTAL EXPENSES &amp; RESERVES</b>	\$	<b>4,700</b>			<b>220,900</b>	<b>227,734</b>	<b>234,806</b>	<b>242,123</b>	<b>249,696</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>117,720</b>	<b>119,352</b>	<b>120,957</b>	<b>122,534</b>	<b>124,079</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>									
Permanent Loan	Hard	\$	-		-	-	-	-	-
Other	NA	\$	-		-	-	-	-	-
Asset Management Fees	Soft	\$	17,200		17,200	17,200	17,200	17,200	17,200
Deferred Developer Fee	Soft	\$	-		-	-	-	-	-
TCAP Loan	Soft	\$	17,786,540		-	-	-	-	-
SB County HOME	Soft	\$	1,022,170		-	-	-	-	-
Other	Soft	\$	-		-	-	-	-	-
Other	Soft	\$	-		-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>100,520</b>	<b>102,152</b>	<b>103,757</b>	<b>105,334</b>	<b>106,879</b>
Deferred Dev. Fee Balance	Interest Rate:	3.00%			-	-	-	-	-
<b>Debt Service Coverage Ratio on Hard Debt</b>					<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

Rancho Hermosa

Santa Maria, CA

Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 6	Year 7	Year 8	Year 9	Year 10
1BR/1BA	20%	217	1	2.5%	2,946	3,020	3,095	3,173	3,252
1BR/1BA	25%	285	1	2.5%	3,869	3,966	4,065	4,167	4,271
1BR/1BA	30%	353	1	2.5%	4,793	4,912	5,035	5,161	5,290
1BR/1BA	40%	489	1	2.5%	6,639	6,805	6,975	7,150	7,328
2BR/1BA	20%	262	1	2.5%	3,557	3,646	3,737	3,831	3,926
2BR/1BA	25%	343	1	2.5%	4,657	4,773	4,893	5,015	5,140
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	36,902	37,825	38,770	39,739	40,733
3BR/2BA	25%	396	9	2.5%	48,388	49,598	50,838	52,109	53,411
3BR/2BA	30%	490	10	2.5%	66,527	68,190	69,895	71,642	73,433
3BR/2BA	40%	678	11	2.5%	101,257	103,788	106,383	109,042	111,768
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	13,305	13,638	13,979	14,328	14,687
<b>TOTAL RENTAL INCOME</b>			47		<b>292,840</b>	<b>300,161</b>	<b>307,665</b>	<b>315,357</b>	<b>323,241</b>
OTHER INCOME			Units	Incr./Yr.	Year-6	Year-7	Year-8	Year-9	Year-10
Project-Based Rental Assistance			47	2.5%	111,138	113,917	116,765	119,684	122,676
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	7,976	8,176	8,380	8,590	8,804
<b>TOTAL OTHER INCOME</b>					<b>119,115</b>	<b>122,093</b>	<b>125,145</b>	<b>128,273</b>	<b>131,480</b>
<b>TOTAL INCOME</b>					<b>411,955</b>	<b>422,254</b>	<b>432,810</b>	<b>443,630</b>	<b>454,721</b>
Less Vacancy Allowance				7%	(28,837)	(29,558)	(30,297)	(31,054)	(31,830)
<b>GROSS INCOME</b>					<b>383,118</b>	<b>392,696</b>	<b>402,513</b>	<b>412,576</b>	<b>422,891</b>
OPERATING EXPENSES	Per Unit - Yr. 1	% EGI	Incr./Yr.	Year-6	Year-7	Year-8	Year-9	Year-10	
Real Estate Taxes & Special Assessments	\$ 106	1.5%	2.0%	5,520	5,631	5,743	5,858	5,975	
Other Taxes	\$ 17	0.2%	3.5%	950	983	1,018	1,053	1,090	
Insurance	\$ 250	3.5%	3.5%	13,955	14,444	14,949	15,473	16,014	
Licenses	\$ 8	0.1%	3.5%	416	430	445	461	477	
Fuel & Gas	\$ 12	0.2%	3.5%	713	738	763	790	818	
Electricity	\$ 94	1.3%	3.5%	5,226	5,409	5,598	5,794	5,997	
Water & Sewer	\$ 470	6.5%	3.5%	26,248	27,167	28,117	29,101	30,120	
Trash Removal	\$ 165	2.3%	3.5%	9,264	9,588	9,924	10,271	10,631	
Pest Control	\$ 21	0.3%	3.5%	1,188	1,229	1,272	1,317	1,363	
Building & Maintenance Repairs	\$ 376	5.2%	3.5%	21,022	21,758	22,519	23,308	24,123	
Building & Maintenance Supplies	\$ 235	3.2%	3.5%	13,065	13,522	13,995	14,485	14,992	
Supportive Services	\$ 403	5.6%	3.5%	22,507	23,294	24,110	24,954	25,827	
Annual MHSA Admin. Fee	\$ -	0.0%	3.5%	-	-	-	-	-	
Gardening & Landscaping	\$ 282	3.9%	3.5%	15,796	16,349	16,921	17,514	18,127	
Management Fee	\$ 298	4.1%	3.5%	16,628	17,210	17,812	18,435	19,081	
On-Site Manager(s)	\$ 480	6.7%	3.5%	26,794	27,732	28,703	29,707	30,747	
Other Payroll	\$ 94	1.3%	3.5%	5,226	5,409	5,598	5,794	5,997	
Manager's Unit Expense	\$ 250	3.5%	3.5%	13,967	14,456	14,962	15,486	16,028	
Cleaning Supplies	\$ 47	0.6%	3.5%	2,613	2,704	2,799	2,897	2,998	
Benefits	\$ 43	0.6%	3.5%	2,375	2,459	2,545	2,634	2,726	
Payroll Taxes & Work Comp	\$ 189	2.6%	3.5%	10,570	10,940	11,323	11,720	12,130	
Advertising	\$ 47	0.6%	3.5%	2,613	2,704	2,799	2,897	2,998	
Telephone	\$ 32	0.4%	3.5%	1,782	1,844	1,908	1,975	2,044	
Legal & Accounting	\$ 128	1.8%	3.5%	7,126	7,376	7,634	7,901	8,177	
Office Supplies & Expense	\$ 32	0.4%	3.5%	1,782	1,844	1,908	1,975	2,044	
Miscellaneous Administrative	\$ 121	1.7%	3.5%	6,687	6,921	7,163	7,414	7,673	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,200</b>			<b>234,031</b>	<b>242,140</b>	<b>250,530</b>	<b>259,212</b>	<b>268,197</b>	
Replacement Reserves	\$ 500		0.0%	23,500	23,500	23,500	23,500	23,500	
Operating Reserves	\$ -		0.0%	-	-	-	-	-	
<b>TOTAL EXPENSES &amp; RESERVES</b>	<b>\$ 4,700</b>			<b>257,531</b>	<b>265,640</b>	<b>274,030</b>	<b>282,712</b>	<b>291,697</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>125,587</b>	<b>127,056</b>	<b>128,483</b>	<b>129,864</b>	<b>131,194</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-6	Year-7	Year-8	Year-9	Year-10	
Permanent Loan	Hard	\$ -		-	-	-	-	-	
Other	NA	\$ -		-	-	-	-	-	
Asset Management Fees	Soft	\$ 17,200		17,200	17,200	17,200	17,200	17,200	
Deferred Developer Fee	Soft	\$ -		-	-	-	-	-	
TCAP Loan	Soft	\$ 17,786,540		-	-	-	-	-	
SB County HOME	Soft	\$ 1,022,170		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>108,387</b>	<b>109,856</b>	<b>111,283</b>	<b>112,664</b>	<b>113,994</b>	
Deferred Dev. Fee Balance	Interest Rate:	3.00%		-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				0.00	0.00	0.00	0.00	0.00	



## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 11	Year 12	Year 13	Year 14	Year 15
1BR/1BA	20%	217	1	2.5%	3,333	3,417	3,502	3,590	3,679
1BR/1BA	25%	285	1	2.5%	4,378	4,487	4,600	4,715	4,832
1BR/1BA	30%	353	1	2.5%	5,422	5,558	5,697	5,839	5,985
1BR/1BA	40%	489	1	2.5%	7,512	7,699	7,892	8,089	8,291
2BR/1BA	20%	262	1	2.5%	4,025	4,125	4,228	4,334	4,442
2BR/1BA	25%	343	1	2.5%	5,269	5,401	5,536	5,674	5,816
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	41,751	42,795	43,865	44,962	46,086
3BR/2BA	25%	396	9	2.5%	54,747	56,115	57,518	58,956	60,430
3BR/2BA	30%	490	10	2.5%	75,269	77,151	79,079	81,056	83,083
3BR/2BA	40%	678	11	2.5%	114,562	117,427	120,362	123,371	126,456
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	15,054	15,430	15,816	16,211	16,617
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>331,322</b>	<b>339,605</b>	<b>348,095</b>	<b>356,797</b>	<b>365,717</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-11</b>	<b>Year-12</b>	<b>Year-13</b>	<b>Year-14</b>	<b>Year-15</b>
Project-Based Rental Assistance			47	2.5%	125,743	128,886	132,108	135,411	138,796
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	9,025	9,250	9,481	9,719	9,961
<b>TOTAL OTHER INCOME</b>					<b>134,767</b>	<b>138,136</b>	<b>141,590</b>	<b>145,130</b>	<b>148,758</b>
<b>TOTAL INCOME</b>					<b>466,089</b>	<b>477,741</b>	<b>489,685</b>	<b>501,927</b>	<b>514,475</b>
Less Vacancy Allowance				7%	(32,626)	(33,442)	(34,278)	(35,135)	(36,013)
<b>GROSS INCOME</b>					<b>433,463</b>	<b>444,299</b>	<b>455,407</b>	<b>466,792</b>	<b>478,462</b>
<b>OPERATING EXPENSES</b>	<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>		<b>Year-11</b>	<b>Year-12</b>	<b>Year-13</b>	<b>Year-14</b>	<b>Year-15</b>
Real Estate Taxes & Special Assessments	\$ 106	1.5%	2.5%		6,095	6,217	6,341	6,468	6,597
Other Taxes	\$ 17	0.2%	3.5%		1,128	1,168	1,209	1,251	1,295
Insurance	\$ 250	3.5%	3.5%		16,575	17,155	17,755	18,376	19,020
Licenses	\$ 8	0.1%	3.5%		494	511	529	547	567
Fuel & Gas	\$ 12	0.2%	3.5%		846	876	907	938	971
Electricity	\$ 94	1.3%	3.5%		6,207	6,424	6,649	6,881	7,122
Water & Sewer	\$ 470	6.5%	3.5%		31,174	32,265	33,395	34,563	35,773
Trash Removal	\$ 165	2.3%	3.5%		11,003	11,388	11,786	12,199	12,626
Pest Control	\$ 21	0.3%	3.5%		1,411	1,460	1,511	1,564	1,619
Building & Maintenance Repairs	\$ 376	5.2%	3.5%		24,968	25,841	26,746	27,682	28,651
Building & Maintenance Supplies	\$ 235	3.2%	3.5%		15,517	16,060	16,622	17,204	17,806
Supportive Services	\$ 403	5.6%	3.5%		26,731	27,666	28,635	29,637	30,674
Annual MHSA Admin. Fee	\$ -	0.0%	3.5%		-	-	-	-	-
Gardening & Landscaping	\$ 282	3.9%	3.5%		18,761	19,418	20,097	20,801	21,529
Management Fee	\$ 298	4.1%	3.5%		19,748	20,440	21,155	21,895	22,662
On-Site Manager(s)	\$ 480	6.7%	3.5%		31,823	32,937	34,090	35,283	36,518
Other Payroll	\$ 94	1.3%	3.5%		6,207	6,424	6,649	6,881	7,122
Manager's Unit Expense	\$ 250	3.5%	3.5%		16,589	17,169	17,770	18,392	19,036
Cleaning Supplies	\$ 47	0.6%	3.5%		3,103	3,212	3,324	3,441	3,561
Benefits	\$ 43	0.6%	3.5%		2,821	2,920	3,022	3,128	3,237
Payroll Taxes & Work Comp	\$ 189	2.6%	3.5%		12,554	12,994	13,449	13,919	14,406
Advertising	\$ 47	0.6%	3.5%		3,103	3,212	3,324	3,441	3,561
Telephone	\$ 32	0.4%	3.5%		2,116	2,190	2,267	2,346	2,428
Legal & Accounting	\$ 128	1.8%	3.5%		8,464	8,760	9,066	9,384	9,712
Office Supplies & Expense	\$ 32	0.4%	3.5%		2,116	2,190	2,267	2,346	2,428
Miscellaneous Administrative	\$ 121	1.7%	3.5%		7,942	8,220	8,507	8,805	9,113
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,200</b>				<b>277,494</b>	<b>287,115</b>	<b>297,071</b>	<b>307,373</b>	<b>318,034</b>
Replacement Reserves	\$ 500		0.0%		23,500	23,500	23,500	23,500	23,500
Operating Reserves	\$ -		0.0%		-	-	-	-	-
<b>TOTAL EXPENSES &amp; RESERVES</b>	<b>\$ 4,700</b>				<b>300,994</b>	<b>310,615</b>	<b>320,571</b>	<b>330,873</b>	<b>341,534</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>132,469</b>	<b>133,684</b>	<b>134,836</b>	<b>135,919</b>	<b>136,928</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		<b>Loan Amount</b>			<b>Year-11</b>	<b>Year-12</b>	<b>Year-13</b>	<b>Year-14</b>	<b>Year-15</b>
Permanent Loan	Hard	\$ -			-	-	-	-	-
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 17,200			17,200	17,200	17,200	17,200	17,200
Deferred Developer Fee	Soft	\$ -			-	-	-	-	-
TCAP Loan	Soft	\$ 17,786,540			-	-	-	-	-
SB County HOME	Soft	\$ 1,022,170			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>115,269</b>	<b>116,484</b>	<b>117,636</b>	<b>118,719</b>	<b>119,728</b>
Deferred Dev. Fee Balance	Interest Rate:	3.00%			-	-	-	-	-
<b>Debt Service Coverage Ratio on Hard Debt</b>					<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Rancho Hermosa Santa Maria, CA**  
**Multi-Year Stabilized Operating Pro-Forma**

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 16	Year 17	Year 18	Year 19	Year 20
1BR/1BA	20%	217	1	2.5%	3,771	3,866	3,962	4,061	4,163
1BR/1BA	25%	285	1	2.5%	4,953	5,077	5,204	5,334	5,467
1BR/1BA	30%	353	1	2.5%	6,135	6,288	6,446	6,607	6,772
1BR/1BA	40%	489	1	2.5%	8,499	8,711	8,929	9,152	9,381
2BR/1BA	20%	262	1	2.5%	4,553	4,667	4,784	4,904	5,026
2BR/1BA	25%	343	1	2.5%	5,961	6,110	6,263	6,420	6,580
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	47,238	48,419	49,629	50,870	52,142
3BR/2BA	25%	396	9	2.5%	61,941	63,489	65,077	66,703	68,371
3BR/2BA	30%	490	10	2.5%	85,160	87,289	89,471	91,708	94,001
3BR/2BA	40%	678	11	2.5%	129,617	132,857	136,179	139,583	143,073
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	17,032	17,458	17,894	18,342	18,800
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>374,860</b>	<b>384,232</b>	<b>393,837</b>	<b>403,683</b>	<b>413,775</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-16</b>	<b>Year-17</b>	<b>Year-18</b>	<b>Year-19</b>	<b>Year-20</b>
Project-Based Rental Assistance			47	2.5%	142,266	145,823	149,469	153,205	157,035
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	10,211	10,466	10,727	10,996	11,270
<b>TOTAL OTHER INCOME</b>					<b>152,477</b>	<b>156,289</b>	<b>160,196</b>	<b>164,201</b>	<b>168,306</b>
<b>TOTAL INCOME</b>					<b>527,337</b>	<b>540,520</b>	<b>554,033</b>	<b>567,884</b>	<b>582,081</b>
Less Vacancy Allowance				7%	(36,914)	(37,836)	(38,782)	(39,752)	(40,746)
<b>GROSS INCOME</b>					<b>490,423</b>	<b>502,684</b>	<b>515,251</b>	<b>528,132</b>	<b>541,335</b>
<b>OPERATING EXPENSES</b>	<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>	<b>Year-16</b>	<b>Year-17</b>	<b>Year-18</b>	<b>Year-19</b>	<b>Year-20</b>	
Real Estate Taxes & Special Assessments	\$ 106	1.5%	2.0%	6,729	6,864	7,001	7,141	7,284	
Other Taxes	\$ 17	0.2%	3.5%	1,340	1,387	1,436	1,486	1,538	
Insurance	\$ 250	3.5%	3.5%	19,685	20,374	21,087	21,825	22,589	
Licenses	\$ 8	0.1%	3.5%	586	607	628	650	673	
Fuel & Gas	\$ 12	0.2%	3.5%	1,005	1,040	1,077	1,114	1,154	
Electricity	\$ 94	1.3%	3.5%	7,372	7,630	7,897	8,173	8,459	
Water & Sewer	\$ 470	6.5%	3.5%	37,025	38,321	39,662	41,051	42,487	
Trash Removal	\$ 165	2.3%	3.5%	13,068	13,525	13,998	14,488	14,996	
Pest Control	\$ 21	0.3%	3.5%	1,675	1,734	1,795	1,857	1,923	
Building & Maintenance Repairs	\$ 376	5.2%	3.5%	29,654	30,692	31,766	32,878	34,028	
Building & Maintenance Supplies	\$ 235	3.2%	3.5%	18,429	19,074	19,741	20,432	21,148	
Supportive Services	\$ 403	5.6%	3.5%	31,748	32,859	34,009	35,199	36,431	
Annual MHSA Admin. Fee	\$ -	0.0%	3.5%	-	-	-	-	-	
Gardening & Landscaping	\$ 282	3.9%	3.5%	22,282	23,062	23,869	24,705	25,569	
Management Fee	\$ 298	4.1%	3.5%	23,455	24,276	25,125	26,005	26,915	
On-Site Manager(s)	\$ 480	6.7%	3.5%	37,796	39,119	40,488	41,905	43,372	
Other Payroll	\$ 94	1.3%	3.5%	7,372	7,630	7,897	8,173	8,459	
Manager's Unit Expense	\$ 250	3.5%	3.5%	19,702	20,392	21,105	21,844	22,609	
Cleaning Supplies	\$ 47	0.6%	3.5%	3,686	3,815	3,948	4,086	4,230	
Benefits	\$ 43	0.6%	3.5%	3,351	3,468	3,589	3,715	3,845	
Payroll Taxes & Work Comp	\$ 189	2.6%	3.5%	14,911	15,432	15,973	16,532	17,110	
Advertising	\$ 47	0.6%	3.5%	3,686	3,815	3,948	4,086	4,230	
Telephone	\$ 32	0.4%	3.5%	2,513	2,601	2,692	2,786	2,884	
Legal & Accounting	\$ 128	1.8%	3.5%	10,052	10,404	10,768	11,145	11,535	
Office Supplies & Expense	\$ 32	0.4%	3.5%	2,513	2,601	2,692	2,786	2,884	
Miscellaneous Administrative	\$ 121	1.7%	3.5%	9,432	9,762	10,104	10,458	10,824	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,200</b>			<b>329,066</b>	<b>340,483</b>	<b>352,297</b>	<b>364,522</b>	<b>377,173</b>	
Replacement Reserves	\$ 500		0.0%	23,500	23,500	23,500	23,500	23,500	
Operating Reserves	\$ -		0.0%	-	-	-	-	-	
<b>TOTAL EXPENSES &amp; RESERVES</b>	<b>\$ 4,700</b>			<b>352,566</b>	<b>363,983</b>	<b>375,797</b>	<b>388,022</b>	<b>400,673</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>137,856</b>	<b>138,702</b>	<b>139,455</b>	<b>140,110</b>	<b>140,662</b>	
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		<b>Loan Amount</b>		<b>Year-16</b>	<b>Year-17</b>	<b>Year-18</b>	<b>Year-19</b>	<b>Year-20</b>	
Permanent Loan	Hard	\$ -		-	-	-	-	-	
Other	NA	\$ -		-	-	-	-	-	
Asset Management Fees	Soft	\$ 17,200		12,200	12,200	12,200	12,200	12,200	
Deferred Developer Fee	Soft	\$ -		-	-	-	-	-	
TCAP Loan	Soft	\$ 17,786,540		-	-	-	-	-	
SB County HOME	Soft	\$ 1,022,170		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>125,656</b>	<b>126,502</b>	<b>127,255</b>	<b>127,910</b>	<b>128,462</b>	
Deferred Dev. Fee Balance	Interest Rate:	3.00%		-	-	-	-	-	
<b>Debt Service Coverage Ratio on Hard Debt</b>				<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	

**Rancho Hermosa Santa Maria, CA**  
**Multi-Year Stabilized Operating Pro-Forma**

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 21	Year 22	Year 23	Year 24	Year 25
1BR/1BA	20%	217	1	2.5%	4,267	4,374	4,483	4,595	4,710
1BR/1BA	25%	285	1	2.5%	5,604	5,744	5,888	6,035	6,186
1BR/1BA	30%	353	1	2.5%	6,941	7,115	7,293	7,475	7,662
1BR/1BA	40%	489	1	2.5%	9,615	9,856	10,102	10,355	10,614
2BR/1BA	20%	262	1	2.5%	5,152	5,281	5,413	5,548	5,687
2BR/1BA	25%	343	1	2.5%	6,745	6,913	7,086	7,263	7,445
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	53,445	54,781	56,151	57,555	58,993
3BR/2BA	25%	396	9	2.5%	70,080	71,832	73,628	75,469	77,356
3BR/2BA	30%	490	10	2.5%	96,351	98,759	101,228	103,759	106,353
3BR/2BA	40%	678	11	2.5%	146,650	150,316	154,074	157,926	161,874
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	19,270	19,752	20,246	20,752	21,271
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>424,120</b>	<b>434,723</b>	<b>445,591</b>	<b>456,731</b>	<b>468,149</b>
<b>OTHER INCOME</b>									
Project-Based Rental Assistance			47	2.5%	160,961	164,985	169,110	173,338	177,671
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	11,552	11,841	12,137	12,441	12,752
<b>TOTAL OTHER INCOME</b>					<b>172,514</b>	<b>176,826</b>	<b>181,247</b>	<b>185,778</b>	<b>190,423</b>
<b>TOTAL INCOME</b>					<b>596,633</b>	<b>611,549</b>	<b>626,838</b>	<b>642,509</b>	<b>658,572</b>
Less Vacancy Allowance				7%	(41,764)	(42,808)	(43,879)	(44,976)	(46,100)
<b>GROSS INCOME</b>					<b>554,869</b>	<b>568,741</b>	<b>582,959</b>	<b>597,533</b>	<b>612,472</b>
<b>OPERATING EXPENSES</b>									
Real Estate Taxes & Special Assessments	Per Unit - Yr. 1	%EGI	Incr./Yr.		Year-21	Year-22	Year-23	Year-24	Year-25
Other Taxes	\$ 106	1.5%	2.0%		7,430	7,578	7,730	7,884	8,042
Insurance	\$ 17	0.2%	3.5%		1,592	1,648	1,705	1,765	1,827
Licenses	\$ 250	3.5%	3.5%		23,380	24,198	25,045	25,922	26,829
Fuel & Gas	\$ 8	0.1%	3.5%		696	721	746	772	799
Electricity	\$ 12	0.2%	3.5%		1,194	1,236	1,279	1,324	1,370
Water & Sewer	\$ 94	1.3%	3.5%		8,755	9,061	9,379	9,707	10,047
Trash Removal	\$ 470	6.5%	3.5%		43,974	45,513	47,106	48,755	50,462
Pest Control	\$ 165	2.3%	3.5%		15,520	16,064	16,626	17,208	17,810
Building & Maintenance Repairs	\$ 21	0.3%	3.5%		1,990	2,059	2,132	2,206	2,283
Building & Maintenance Supplies	\$ 376	5.2%	3.5%		35,219	36,452	37,728	39,048	40,415
Supportive Services	\$ 235	3.2%	3.5%		21,888	22,654	23,447	24,267	25,117
Annual MHSA Admin. Fee	\$ 403	5.6%	3.5%		37,706	39,026	40,392	41,806	43,269
Gardening & Landscaping	\$ -	0.0%	3.5%		-	-	-	-	-
Management Fee	\$ 282	3.9%	3.5%		26,464	27,390	28,349	29,341	30,368
On-Site Manager(s)	\$ 298	4.1%	3.5%		27,857	28,832	29,841	30,886	31,967
Other Payroll	\$ 480	6.7%	3.5%		44,890	46,461	48,087	49,770	51,512
Manager's Unit Expense	\$ 94	1.3%	3.5%		8,755	9,061	9,379	9,707	10,047
Cleaning Supplies	\$ 250	3.5%	3.5%		23,400	24,219	25,067	25,944	26,852
Benefits	\$ 47	0.6%	3.5%		4,378	4,531	4,689	4,853	5,023
Payroll Taxes & Work Comp	\$ 43	0.6%	3.5%		3,980	4,119	4,263	4,412	4,567
Advertising	\$ 189	2.6%	3.5%		17,709	18,329	18,970	19,634	20,322
Telephone	\$ 47	0.6%	3.5%		4,378	4,531	4,689	4,853	5,023
Legal & Accounting	\$ 32	0.4%	3.5%		2,985	3,089	3,197	3,309	3,425
Office Supplies & Expense	\$ 128	1.8%	3.5%		11,939	12,357	12,789	13,237	13,700
Miscellaneous Administrative	\$ 32	0.4%	3.5%		2,985	3,089	3,197	3,309	3,425
Miscellaneous Administrative	\$ 121	1.7%	3.5%		11,203	11,595	12,000	12,420	12,855
<b>TOTAL OPERATING EXPENSES</b>	\$ 4,200				<b>390,265</b>	<b>403,813</b>	<b>417,833</b>	<b>432,341</b>	<b>447,355</b>
Replacement Reserves	\$ 500		0.0%		23,500	23,500	23,500	23,500	23,500
Operating Reserves	\$ -		0.0%		-	-	-	-	-
<b>TOTAL EXPENSES &amp; RESERVES</b>	\$ 4,700				<b>413,765</b>	<b>427,313</b>	<b>441,333</b>	<b>455,841</b>	<b>470,855</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>141,104</b>	<b>141,428</b>	<b>141,626</b>	<b>141,692</b>	<b>141,617</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>									
Permanent Loan	Hard	\$ -			-	-	-	-	-
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 17,200			12,200	12,200	12,200	12,200	12,200
Deferred Developer Fee	Soft	\$ -			-	-	-	-	-
TCAP Loan	Soft	\$ 17,786,540			-	-	-	-	-
SB County HOME	Soft	\$ 1,022,170			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>128,904</b>	<b>129,228</b>	<b>129,426</b>	<b>129,492</b>	<b>129,417</b>
Deferred Dev. Fee Balance	Interest Rate:	3.00%			-	-	-	-	-
Debt Service Coverage Ratio on Hard Debt					0.00	0.00	0.00	0.00	0.00

Rancho Hermosa

Santa Maria, CA

Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 26	Year 27	Year 28	Year 29	Year 30
1BR/1BA	20%	217	1	2.5%	4,828	4,948	5,072	5,199	5,329
1BR/1BA	25%	285	1	2.5%	6,340	6,499	6,661	6,828	6,999
1BR/1BA	30%	353	1	2.5%	7,853	8,050	8,251	8,457	8,669
1BR/1BA	40%	489	1	2.5%	10,879	11,151	11,430	11,715	12,008
2BR/1BA	20%	262	1	2.5%	5,829	5,975	6,124	6,277	6,434
2BR/1BA	25%	343	1	2.5%	7,631	7,822	8,017	8,218	8,423
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	60,468	61,980	63,529	65,118	66,746
3BR/2BA	25%	396	9	2.5%	79,289	81,272	83,304	85,386	87,521
3BR/2BA	30%	490	10	2.5%	109,012	111,737	114,531	117,394	120,329
3BR/2BA	40%	678	11	2.5%	165,921	170,069	174,320	178,678	183,145
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	21,802	22,347	22,906	23,479	24,066
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>479,853</b>	<b>491,849</b>	<b>504,145</b>	<b>516,749</b>	<b>529,668</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-26</b>	<b>Year-27</b>	<b>Year-28</b>	<b>Year-29</b>	<b>Year-30</b>
Project-Based Rental Assistance			47	2.5%	182,113	186,666	191,332	196,116	201,019
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	13,070	13,397	13,732	14,075	14,427
<b>TOTAL OTHER INCOME</b>					<b>195,183</b>	<b>200,063</b>	<b>205,064</b>	<b>210,191</b>	<b>215,446</b>
<b>TOTAL INCOME</b>					<b>675,036</b>	<b>691,912</b>	<b>709,210</b>	<b>726,940</b>	<b>745,113</b>
Less Vacancy Allowance				7%	(47,253)	(48,434)	(49,645)	(50,886)	(52,158)
<b>GROSS INCOME</b>					<b>627,783</b>	<b>643,478</b>	<b>659,565</b>	<b>676,054</b>	<b>692,955</b>
<b>OPERATING EXPENSES</b>		<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>	<b>Year-26</b>	<b>Year-27</b>	<b>Year-28</b>	<b>Year-29</b>	<b>Year-30</b>
Real Estate Taxes & Special Assessments	\$	106	1.5%	2.0%	8,203	8,367	8,534	8,705	8,879
Other Taxes	\$	17	0.2%	3.5%	1,891	1,957	2,025	2,096	2,170
Insurance	\$	250	3.5%	3.5%	27,768	28,740	29,746	30,787	31,865
Licenses	\$	8	0.1%	3.5%	827	856	886	917	949
Fuel & Gas	\$	12	0.2%	3.5%	1,418	1,468	1,519	1,572	1,627
Electricity	\$	94	1.3%	3.5%	10,398	10,762	11,139	11,529	11,932
Water & Sewer	\$	470	6.5%	3.5%	52,228	54,056	55,948	57,906	59,933
Trash Removal	\$	165	2.3%	3.5%	18,433	19,078	19,746	20,437	21,153
Pest Control	\$	21	0.3%	3.5%	2,363	2,446	2,532	2,620	2,712
Building & Maintenance Repairs	\$	376	5.2%	3.5%	41,829	43,293	44,809	46,377	48,000
Building & Maintenance Supplies	\$	235	3.2%	3.5%	25,996	26,906	27,847	28,822	29,831
Supportive Services	\$	403	5.6%	3.5%	44,783	46,351	47,973	49,652	51,390
Annual MHSA Admin. Fee	\$	-	0.0%	3.5%	-	-	-	-	-
Gardening & Landscaping	\$	282	3.9%	3.5%	31,431	32,531	33,670	34,848	36,068
Management Fee	\$	298	4.1%	3.5%	33,085	34,243	35,442	36,682	37,966
On-Site Manager(s)	\$	480	6.7%	3.5%	53,315	55,181	57,112	59,111	61,180
Other Payroll	\$	94	1.3%	3.5%	10,398	10,762	11,139	11,529	11,932
Manager's Unit Expense	\$	250	3.5%	3.5%	27,792	28,764	29,771	30,813	31,892
Cleaning Supplies	\$	47	0.6%	3.5%	5,199	5,381	5,569	5,764	5,966
Benefits	\$	43	0.6%	3.5%	4,726	4,892	5,063	5,240	5,424
Payroll Taxes & Work Comp	\$	189	2.6%	3.5%	21,033	21,769	22,531	23,320	24,136
Advertising	\$	47	0.6%	3.5%	5,199	5,381	5,569	5,764	5,966
Telephone	\$	32	0.4%	3.5%	3,545	3,669	3,797	3,930	4,068
Legal & Accounting	\$	128	1.8%	3.5%	14,179	14,676	15,189	15,721	16,271
Office Supplies & Expense	\$	32	0.4%	3.5%	3,545	3,669	3,797	3,930	4,068
Miscellaneous Administrative	\$	121	1.7%	3.5%	13,305	13,771	14,253	14,752	15,268
<b>TOTAL OPERATING EXPENSES</b>	\$	<b>4,200</b>			<b>462,891</b>	<b>478,970</b>	<b>495,608</b>	<b>512,826</b>	<b>530,645</b>
Replacement Reserves	\$	500		0.0%	23,500	23,500	23,500	23,500	23,500
Operating Reserves	\$	-		0.0%	-	-	-	-	-
<b>TOTAL EXPENSES &amp; RESERVES</b>	\$	<b>4,700</b>			<b>486,391</b>	<b>502,470</b>	<b>519,108</b>	<b>536,326</b>	<b>554,145</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>141,392</b>	<b>141,008</b>	<b>140,457</b>	<b>139,728</b>	<b>138,811</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		<b>Loan Amount</b>			<b>Year-26</b>	<b>Year-27</b>	<b>Year-28</b>	<b>Year-29</b>	<b>Year-30</b>
Permanent Loan	Hard	\$ -			-	-	-	-	-
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 17,200			12,200	12,200	12,200	12,200	12,200
Deferred Developer Fee	Soft	\$ -			-	-	-	-	-
TCAP Loan	Soft	\$ 17,786,540			-	-	-	-	-
SB County HOME	Soft	\$ 1,022,170			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>129,192</b>	<b>128,808</b>	<b>128,257</b>	<b>127,528</b>	<b>126,611</b>
Deferred Dev. Fee Balance	Interest Rate:	3.00%			-	-	-	-	-
<b>Debt Service Coverage Ratio on Hard Debt</b>					<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Rancho Hermosa Santa Maria, CA**  
**Multi-Year Stabilized Operating Pro-Forma**

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 31	Year 32	Year 33	Year 34	Year 35
1BR/1BA	20%	217	1	2.5%	5,462	5,599	5,739	5,882	6,029
1BR/1BA	25%	285	1	2.5%	7,174	7,353	7,537	7,725	7,918
1BR/1BA	30%	353	1	2.5%	8,885	9,107	9,335	9,568	9,808
1BR/1BA	40%	489	1	2.5%	12,309	12,616	12,932	13,255	13,586
2BR/1BA	20%	262	1	2.5%	6,595	6,760	6,929	7,102	7,279
2BR/1BA	25%	343	1	2.5%	8,634	8,849	9,071	9,297	9,530
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	68,414	70,125	71,878	73,675	75,517
3BR/2BA	25%	396	9	2.5%	89,709	91,951	94,250	96,607	99,022
3BR/2BA	30%	490	10	2.5%	123,337	126,420	129,581	132,820	136,141
3BR/2BA	40%	678	11	2.5%	187,724	192,417	197,227	202,158	207,212
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	24,667	25,284	25,916	26,564	27,228
<b>TOTAL RENTAL INCOME</b>			47		542,909	556,482	570,394	584,654	599,270
<b>OTHER INCOME</b>									
Project-Based Rental Assistance			47	2.5%	206,044	211,195	216,475	221,887	227,434
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	14,788	15,158	15,536	15,925	16,323
<b>TOTAL OTHER INCOME</b>					220,832	226,353	232,012	237,812	243,757
<b>TOTAL INCOME</b>					763,741	782,835	802,406	822,466	843,027
Less Vacancy Allowance				7%	(53,462)	(54,798)	(56,168)	(57,573)	(59,012)
<b>GROSS INCOME</b>					710,279	728,037	746,238	764,893	784,015
<b>OPERATING EXPENSES</b>									
Real Estate Taxes & Special Assessments	Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-31	Year-32	Year-33	Year-34	Year-35	
Other Taxes	\$ 106	1.5%	2.0%	9,057	9,238	9,423	9,611	9,803	
Insurance	\$ 17	0.2%	3.5%	2,245	2,324	2,405	2,490	2,577	
Licenses	\$ 250	3.5%	3.5%	32,980	34,134	35,329	36,565	37,845	
Fuel & Gas	\$ 8	0.1%	3.5%	982	1,017	1,052	1,089	1,127	
Electricity	\$ 12	0.2%	3.5%	1,684	1,743	1,804	1,867	1,933	
Water & Sewer	\$ 94	1.3%	3.5%	12,350	12,782	13,230	13,693	14,172	
Trash Removal	\$ 470	6.5%	3.5%	62,030	64,201	66,448	68,774	71,181	
Pest Control	\$ 165	2.3%	3.5%	21,893	22,659	23,452	24,273	25,123	
Building & Maintenance Repairs	\$ 21	0.3%	3.5%	2,807	2,905	3,007	3,112	3,221	
Building & Maintenance Supplies	\$ 376	5.2%	3.5%	49,680	51,419	53,219	55,081	57,009	
Supportive Services	\$ 235	3.2%	3.5%	30,875	31,955	33,074	34,231	35,429	
Annual MHSA Admin. Fee	\$ 403	5.6%	3.5%	53,189	55,050	56,977	58,971	61,035	
Gardening & Landscaping	\$ -	0.0%	3.5%	-	-	-	-	-	
Management Fee	\$ 282	3.9%	3.5%	37,330	38,637	39,989	41,389	42,837	
On-Site Manager(s)	\$ 298	4.1%	3.5%	39,295	40,670	42,094	43,567	45,092	
Other Payroll	\$ 480	6.7%	3.5%	63,321	65,538	67,831	70,205	72,663	
Manager's Unit Expense	\$ 94	1.3%	3.5%	12,350	12,782	13,230	13,693	14,172	
Cleaning Supplies	\$ 250	3.5%	3.5%	33,008	34,163	35,359	36,596	37,877	
Benefits	\$ 47	0.6%	3.5%	6,175	6,391	6,615	6,846	7,086	
Payroll Taxes & Work Comp	\$ 43	0.6%	3.5%	5,614	5,810	6,013	6,224	6,442	
Advertising	\$ 189	2.6%	3.5%	24,980	25,855	26,760	27,696	28,666	
Telephone	\$ 47	0.6%	3.5%	6,175	6,391	6,615	6,846	7,086	
Legal & Accounting	\$ 32	0.4%	3.5%	4,210	4,358	4,510	4,668	4,831	
Office Supplies & Expense	\$ 128	1.8%	3.5%	16,841	17,430	18,040	18,672	19,325	
Miscellaneous Administrative	\$ 32	0.4%	3.5%	4,210	4,358	4,510	4,668	4,831	
Miscellaneous Administrative	\$ 121	1.7%	3.5%	15,802	16,355	16,928	17,520	18,133	
<b>TOTAL OPERATING EXPENSES</b>	\$ 4,200			549,084	568,166	587,913	608,349	629,497	
Replacement Reserves	\$ 500		0.0%	23,500	23,500	23,500	23,500	23,500	
Operating Reserves	\$ -		0.0%	-	-	-	-	-	
<b>TOTAL EXPENSES &amp; RESERVES</b>	\$ 4,700			572,584	591,666	611,413	631,849	652,997	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				137,695	136,371	134,824	133,044	131,018	
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		Loan Amount		Year-31	Year-32	Year-33	Year-34	Year-35	
Permanent Loan	Hard	\$ -		-	-	-	-	-	
Other	NA	\$ -		-	-	-	-	-	
Asset Management Fees	Soft	\$ 17,200		12,200	12,200	12,200	12,200	12,200	
Deferred Developer Fee	Soft	\$ -		-	-	-	-	-	
TCAP Loan	Soft	\$ 17,786,540		-	-	-	-	-	
SB County HOME	Soft	\$ 1,022,170		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				125,495	124,171	122,624	120,844	118,818	
Deferred Dev. Fee Balance	Interest Rate:	3.00%		-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				0.00	0.00	0.00	0.00	0.00	

Rancho Hermosa

Santa Maria, CA

Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 36	Year 37	Year 38	Year 39	Year 40
1BR/1BA	20%	217	1	2.5%	6,180	6,334	6,493	6,655	6,821
1BR/1BA	25%	285	1	2.5%	8,116	8,319	8,527	8,740	8,959
1BR/1BA	30%	353	1	2.5%	10,053	10,304	10,562	10,826	11,097
1BR/1BA	40%	489	1	2.5%	13,926	14,274	14,631	14,997	15,372
2BR/1BA	20%	262	1	2.5%	7,461	7,648	7,839	8,035	8,236
2BR/1BA	25%	343	1	2.5%	9,768	10,012	10,263	10,519	10,782
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	77,404	79,340	81,323	83,356	85,440
3BR/2BA	25%	396	9	2.5%	101,497	104,035	106,636	109,301	112,034
3BR/2BA	30%	490	10	2.5%	139,544	143,033	146,609	150,274	154,031
3BR/2BA	40%	678	11	2.5%	212,392	217,702	223,145	228,723	234,441
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	27,909	28,607	29,322	30,055	30,806
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>614,252</b>	<b>629,608</b>	<b>645,348</b>	<b>661,482</b>	<b>678,019</b>
OTHER INCOME			Units	Incr./Yr.	Year-36	Year-37	Year-38	Year-39	Year-40
Project-Based Rental Assistance			47	2.5%	233,120	238,948	244,922	251,045	257,321
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	16,731	17,149	17,578	18,018	18,468
<b>TOTAL OTHER INCOME</b>					<b>249,851</b>	<b>256,097</b>	<b>262,500</b>	<b>269,062</b>	<b>275,789</b>
<b>TOTAL INCOME</b>					<b>864,103</b>	<b>885,706</b>	<b>907,848</b>	<b>930,544</b>	<b>953,808</b>
Less Vacancy Allowance				7%	(60,487)	(61,999)	(63,549)	(65,138)	(66,767)
<b>GROSS INCOME</b>					<b>803,616</b>	<b>823,707</b>	<b>844,299</b>	<b>865,406</b>	<b>887,041</b>
OPERATING EXPENSES	Per Unit - Yr. 1	% EGI	Incr./Yr.	Year-36	Year-37	Year-38	Year-39	Year-40	
Real Estate Taxes & Special Assessments	\$ 106	1.5%	2.0%	9,999	10,199	10,403	10,611	10,824	
Other Taxes	\$ 17	0.2%	3.5%	2,667	2,760	2,857	2,957	3,060	
Insurance	\$ 250	3.5%	3.5%	39,170	40,541	41,960	43,428	44,948	
Licenses	\$ 8	0.1%	3.5%	1,167	1,208	1,250	1,294	1,339	
Fuel & Gas	\$ 12	0.2%	3.5%	2,000	2,070	2,143	2,218	2,295	
Electricity	\$ 94	1.3%	3.5%	14,668	15,181	15,713	16,262	16,832	
Water & Sewer	\$ 470	6.5%	3.5%	73,672	76,251	78,920	81,682	84,541	
Trash Removal	\$ 165	2.3%	3.5%	26,002	26,912	27,854	28,829	29,838	
Pest Control	\$ 21	0.3%	3.5%	3,334	3,450	3,571	3,696	3,825	
Building & Maintenance Repairs	\$ 376	5.2%	3.5%	59,005	61,070	63,207	65,419	67,709	
Building & Maintenance Supplies	\$ 235	3.2%	3.5%	36,669	37,953	39,281	40,656	42,079	
Supportive Services	\$ 403	5.6%	3.5%	63,172	65,383	67,671	70,039	72,491	
Annual MHSA Admin. Fee	\$ -	0.0%	3.5%	-	-	-	-	-	
Gardening & Landscaping	\$ 282	3.9%	3.5%	44,337	45,889	47,495	49,157	50,877	
Management Fee	\$ 298	4.1%	3.5%	46,670	48,304	49,994	51,744	53,555	
On-Site Manager(s)	\$ 480	6.7%	3.5%	75,206	77,838	80,562	83,382	86,300	
Other Payroll	\$ 94	1.3%	3.5%	14,668	15,181	15,713	16,262	16,832	
Manager's Unit Expense	\$ 250	3.5%	3.5%	39,203	40,575	41,995	43,465	44,986	
Cleaning Supplies	\$ 47	0.6%	3.5%	7,334	7,591	7,856	8,131	8,416	
Benefits	\$ 43	0.6%	3.5%	6,667	6,901	7,142	7,392	7,651	
Payroll Taxes & Work Comp	\$ 189	2.6%	3.5%	29,669	30,707	31,782	32,895	34,046	
Advertising	\$ 47	0.6%	3.5%	7,334	7,591	7,856	8,131	8,416	
Telephone	\$ 32	0.4%	3.5%	5,000	5,175	5,357	5,544	5,738	
Legal & Accounting	\$ 128	1.8%	3.5%	20,002	20,702	21,426	22,176	22,952	
Office Supplies & Expense	\$ 32	0.4%	3.5%	5,000	5,175	5,357	5,544	5,738	
Miscellaneous Administrative	\$ 121	1.7%	3.5%	18,768	19,425	20,105	20,809	21,537	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,200</b>			<b>651,382</b>	<b>674,031</b>	<b>697,469</b>	<b>721,724</b>	<b>746,825</b>	
Replacement Reserves	\$ 500		0.0%	23,500	23,500	23,500	23,500	23,500	
Operating Reserves	\$ -		0.0%	-	-	-	-	-	
<b>TOTAL EXPENSES &amp; RESERVES</b>	<b>\$ 4,700</b>			<b>674,882</b>	<b>697,531</b>	<b>720,969</b>	<b>745,224</b>	<b>770,325</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>128,734</b>	<b>126,176</b>	<b>123,330</b>	<b>120,182</b>	<b>116,716</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-36	Year-37	Year-38	Year-39	Year-40	
Permanent Loan	Hard	\$ -		-	-	-	-	-	
Other	NA	\$ -		-	-	-	-	-	
Asset Management Fees	Soft	\$ 17,200		12,200	12,200	12,200	12,200	12,200	
Deferred Developer Fee	Soft	\$ -		-	-	-	-	-	
TCAP Loan	Soft	\$ 17,786,540		-	-	-	-	-	
SB County HOME	Soft	\$ 1,022,170		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>116,534</b>	<b>113,976</b>	<b>111,130</b>	<b>107,982</b>	<b>104,516</b>	
Deferred Dev. Fee Balance	Interest Rate:	3.00%		-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				0.00	0.00	0.00	0.00	0.00	

Rancho Hermosa Santa Maria, CA  
Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 41	Year 42	Year 43	Year 44	Year 45
1BR/1BA	20%	217	1	2.5%	6,992	7,167	7,346	7,530	7,718
1BR/1BA	25%	285	1	2.5%	9,183	9,412	9,648	9,889	10,136
1BR/1BA	30%	353	1	2.5%	11,374	11,658	11,950	12,248	12,555
1BR/1BA	40%	489	1	2.5%	15,756	16,150	16,554	16,967	17,392
2BR/1BA	20%	262	1	2.5%	8,442	8,653	8,869	9,091	9,318
2BR/1BA	25%	343	1	2.5%	11,052	11,328	11,611	11,901	12,199
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	87,576	89,765	92,010	94,310	96,668
3BR/2BA	25%	396	9	2.5%	114,835	117,706	120,648	123,665	126,756
3BR/2BA	30%	490	10	2.5%	157,882	161,829	165,875	170,021	174,272
3BR/2BA	40%	678	11	2.5%	240,302	246,310	252,468	258,779	265,249
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	31,576	32,366	33,175	34,004	34,854
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>694,970</b>	<b>712,344</b>	<b>730,153</b>	<b>748,406</b>	<b>767,117</b>
<b>OTHER INCOME</b>									
Project-Based Rental Assistance			47	2.5%	263,754	270,348	277,106	284,034	291,135
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	18,930	19,403	19,888	20,385	20,895
<b>TOTAL OTHER INCOME</b>					<b>282,684</b>	<b>289,751</b>	<b>296,994</b>	<b>304,419</b>	<b>312,030</b>
<b>TOTAL INCOME</b>					<b>977,653</b>	<b>1,002,095</b>	<b>1,027,147</b>	<b>1,052,826</b>	<b>1,079,146</b>
Less Vacancy Allowance				7%	(68,436)	(70,147)	(71,900)	(73,698)	(75,540)
<b>GROSS INCOME</b>					<b>909,217</b>	<b>931,948</b>	<b>955,247</b>	<b>979,128</b>	<b>1,003,606</b>
<b>OPERATING EXPENSES</b>									
Real Estate Taxes & Special Assessments	Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-41	Year-42	Year-43	Year-44	Year-45	
Other Taxes	\$ 106	1.5%	2.0%	11,040	11,261	11,486	11,716	11,950	
Insurance	\$ 17	0.2%	3.5%	3,167	3,278	3,393	3,512	3,635	
Licenses	\$ 250	3.5%	3.5%	46,521	48,150	49,835	51,579	53,384	
Fuel & Gas	\$ 8	0.1%	3.5%	1,386	1,434	1,484	1,536	1,590	
Electricity	\$ 12	0.2%	3.5%	2,376	2,459	2,545	2,634	2,726	
Water & Sewer	\$ 94	1.3%	3.5%	17,421	18,030	18,662	19,315	19,991	
Trash Removal	\$ 470	6.5%	3.5%	87,500	90,562	93,732	97,012	100,408	
Pest Control	\$ 165	2.3%	3.5%	30,882	31,963	33,082	34,240	35,438	
Building & Maintenance Repairs	\$ 21	0.3%	3.5%	3,959	4,098	4,241	4,390	4,543	
Building & Maintenance Supplies	\$ 376	5.2%	3.5%	70,079	72,532	75,070	77,698	80,417	
Supportive Services	\$ 235	3.2%	3.5%	43,552	45,076	46,654	48,287	49,977	
Annual MHSA Admin. Fee	\$ 403	5.6%	3.5%	75,028	77,654	80,372	83,185	86,096	
Gardening & Landscaping	\$ -	0.0%	3.5%	-	-	-	-	-	
Management Fee	\$ 282	3.9%	3.5%	52,658	54,501	56,409	58,383	60,426	
On-Site Manager(s)	\$ 298	4.1%	3.5%	55,430	57,370	59,378	61,456	63,607	
Other Payroll	\$ 480	6.7%	3.5%	89,321	92,447	95,683	99,032	102,498	
Manager's Unit Expense	\$ 94	1.3%	3.5%	17,421	18,030	18,662	19,315	19,991	
Cleaning Supplies	\$ 250	3.5%	3.5%	46,561	48,191	49,877	51,623	53,430	
Benefits	\$ 47	0.6%	3.5%	8,710	9,015	9,331	9,657	9,995	
Payroll Taxes & Work Comp	\$ 43	0.6%	3.5%	7,919	8,196	8,483	8,779	9,087	
Advertising	\$ 189	2.6%	3.5%	35,237	36,471	37,747	39,068	40,436	
Telephone	\$ 47	0.6%	3.5%	8,710	9,015	9,331	9,657	9,995	
Legal & Accounting	\$ 32	0.4%	3.5%	5,939	6,147	6,362	6,585	6,815	
Office Supplies & Expense	\$ 128	1.8%	3.5%	23,756	24,587	25,448	26,338	27,260	
Miscellaneous Administrative	\$ 32	0.4%	3.5%	5,939	6,147	6,362	6,585	6,815	
<b>TOTAL OPERATING EXPENSES</b>	\$ 4,200			<b>772,802</b>	<b>799,684</b>	<b>827,504</b>	<b>856,295</b>	<b>886,089</b>	
Replacement Reserves	\$ 500		0.0%	23,500	23,500	23,500	23,500	23,500	
Operating Reserves	\$ -		0.0%	-	-	-	-	-	
<b>TOTAL EXPENSES &amp; RESERVES</b>	\$ 4,700			<b>796,302</b>	<b>823,184</b>	<b>851,004</b>	<b>879,795</b>	<b>909,589</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>112,915</b>	<b>108,763</b>	<b>104,243</b>	<b>99,333</b>	<b>94,017</b>	
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>									
Permanent Loan	Hard	\$ -		-	-	-	-	-	
Other	NA	\$ -		-	-	-	-	-	
Asset Management Fees	Soft	\$ 17,200		12,200	12,200	12,200	12,200	12,200	
Deferred Developer Fee	Soft	\$ -		-	-	-	-	-	
TCAP Loan	Soft	\$ 17,786,540		-	-	-	-	-	
SB County HOME	Soft	\$ 1,022,170		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
Other	Soft	\$ -		-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>100,715</b>	<b>96,563</b>	<b>92,043</b>	<b>87,133</b>	<b>81,817</b>	
Deferred Dev. Fee Balance	Interest Rate:	3.00%		-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	

Rancho Hermosa  
Santa Maria, CA  
Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 46	Year 47	Year 48	Year 49	Year 50
1BR/1BA	20%	217	1	2.5%	7,911	8,108	8,311	8,519	8,732
1BR/1BA	25%	285	1	2.5%	10,390	10,649	10,916	11,188	11,468
1BR/1BA	30%	353	1	2.5%	12,869	13,190	13,520	13,858	14,204
1BR/1BA	40%	489	1	2.5%	17,826	18,272	18,729	19,197	19,677
2BR/1BA	20%	262	1	2.5%	9,551	9,790	10,035	10,286	10,543
2BR/1BA	25%	343	1	2.5%	12,504	12,817	13,137	13,465	13,802
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	99,084	101,561	104,100	106,703	109,370
3BR/2BA	25%	396	9	2.5%	129,925	133,173	136,503	139,915	143,413
3BR/2BA	30%	490	10	2.5%	178,629	183,094	187,672	192,364	197,173
3BR/2BA	40%	678	11	2.5%	271,880	278,677	285,644	292,785	300,105
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	35,726	36,619	37,534	38,473	39,435
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>786,294</b>	<b>805,952</b>	<b>826,101</b>	<b>846,753</b>	<b>867,922</b>
OTHER INCOME			Units	Incr./Yr.	Year-46	Year-47	Year-48	Year-49	Year-50
Project-Based Rental Assistance			47	2.5%	298,413	305,874	313,520	321,358	329,392
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	21,417	21,953	22,501	23,064	23,641
<b>TOTAL OTHER INCOME</b>					<b>319,830</b>	<b>327,826</b>	<b>336,022</b>	<b>344,422</b>	<b>353,033</b>
<b>TOTAL INCOME</b>					<b>1,106,125</b>	<b>1,133,778</b>	<b>1,162,122</b>	<b>1,191,176</b>	<b>1,220,955</b>
Less Vacancy Allowance				7%	(77,429)	(79,364)	(81,349)	(83,382)	(85,467)
<b>GROSS INCOME</b>					<b>1,028,696</b>	<b>1,054,414</b>	<b>1,080,773</b>	<b>1,107,794</b>	<b>1,135,488</b>
OPERATING EXPENSES	Per Unit - Yr. 1	% EGI	Incr./Yr.	Year 46	Year 47	Year 48	Year 49	Year 50	
Real Estate Taxes & Special Assessments	\$ 106	1.5%	2.0%	12,189	12,433	12,682	12,935	13,194	
Other Taxes	\$ 17	0.2%	3.5%	3,762	3,894	4,030	4,171	4,317	
Insurance	\$ 250	3.5%	3.5%	55,253	57,187	59,188	61,260	63,404	
Licenses	\$ 8	0.1%	3.5%	1,646	1,703	1,763	1,825	1,889	
Fuel & Gas	\$ 12	0.2%	3.5%	2,821	2,920	3,022	3,128	3,238	
Electricity	\$ 94	1.3%	3.5%	20,690	21,415	22,164	22,940	23,743	
Water & Sewer	\$ 470	6.5%	3.5%	103,922	107,559	111,324	115,220	119,253	
Trash Removal	\$ 165	2.3%	3.5%	36,678	37,962	39,291	40,666	42,089	
Pest Control	\$ 21	0.3%	3.5%	4,702	4,867	5,037	5,214	5,396	
Building & Maintenance Repairs	\$ 376	5.2%	3.5%	83,232	86,145	89,160	92,281	95,510	
Building & Maintenance Supplies	\$ 235	3.2%	3.5%	51,726	53,536	55,410	57,349	59,357	
Supportive Services	\$ 403	5.6%	3.5%	89,110	92,229	95,457	98,798	102,255	
Annual MHSA Admin. Fee	\$ -	0.0%	3.5%	-	-	-	-	-	
Gardening & Landscaping	\$ 282	3.9%	3.5%	62,541	64,730	66,996	69,341	71,768	
Management Fee	\$ 298	4.1%	3.5%	65,833	68,137	70,522	72,990	75,545	
On-Site Manager(s)	\$ 480	6.7%	3.5%	106,085	109,798	113,641	117,619	121,735	
Other Payroll	\$ 94	1.3%	3.5%	20,690	21,415	22,164	22,940	23,743	
Manager's Unit Expense	\$ 250	3.5%	3.5%	55,300	57,235	59,238	61,312	63,458	
Cleaning Supplies	\$ 47	0.6%	3.5%	10,345	10,707	11,082	11,470	11,871	
Benefits	\$ 43	0.6%	3.5%	9,405	9,734	10,075	10,427	10,792	
Payroll Taxes & Work Comp	\$ 189	2.6%	3.5%	41,851	43,316	44,832	46,401	48,025	
Advertising	\$ 47	0.6%	3.5%	10,345	10,707	11,082	11,470	11,871	
Telephone	\$ 32	0.4%	3.5%	7,054	7,300	7,556	7,820	8,094	
Legal & Accounting	\$ 128	1.8%	3.5%	28,214	29,202	30,224	31,282	32,376	
Office Supplies & Expense	\$ 32	0.4%	3.5%	7,054	7,300	7,556	7,820	8,094	
Miscellaneous Administrative	\$ 121	1.7%	3.5%	26,474	27,401	28,360	29,353	30,380	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,200</b>			<b>916,923</b>	<b>948,833</b>	<b>981,855</b>	<b>1,016,030</b>	<b>1,051,397</b>	
Replacement Reserves	\$ 500		0.0%	23,500	23,500	23,500	23,500	23,500	
Operating Reserves	\$ -		0.0%	-	-	-	-	-	
<b>TOTAL EXPENSES &amp; RESERVES</b>	<b>\$ 4,700</b>			<b>940,423</b>	<b>972,333</b>	<b>1,005,355</b>	<b>1,039,530</b>	<b>1,074,897</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>88,273</b>	<b>82,081</b>	<b>75,418</b>	<b>68,264</b>	<b>60,591</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-46	Year-47	Year-48	Year-49	Year-50	
Permanent Loan	Hard \$ -			-	-	-	-	-	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 17,200			12,200	12,200	12,200	12,200	12,200	
Deferred Developer Fee	Soft \$ -			-	-	-	-	-	
TCAP Loan	Soft \$ 17,786,540			-	-	-	-	-	
SB County HOME	Soft \$ 1,022,170			-	-	-	-	-	
Other	Soft \$ -			-	-	-	-	-	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>76,073</b>	<b>69,881</b>	<b>63,218</b>	<b>56,064</b>	<b>48,391</b>	
Deferred Dev. Fee Balance	Interest Rate: 3.00%			-	-	-	-	-	
<b>Debt Service Coverage Ratio on Hard Debt</b>				<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	



**Rancho Hermosa Santa Maria, CA**  
**Multi-Year Stabilized Operating Pro-Forma**

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 51	Year 52	Year 53	Year 54	Year 55
1BR/1BA	20%	217	1	2.5%	8,950	9,174	9,403	9,638	9,879
1BR/1BA	25%	285	1	2.5%	11,755	12,049	12,350	12,659	12,975
1BR/1BA	30%	353	1	2.5%	14,560	14,924	15,297	15,679	16,071
1BR/1BA	40%	489	1	2.5%	20,169	20,673	21,190	21,720	22,263
2BR/1BA	20%	262	1	2.5%	10,806	11,076	11,353	11,637	11,928
2BR/1BA	25%	343	1	2.5%	14,147	14,501	14,863	15,235	15,616
2BR/1BA	30%	0	0	2.5%	-	-	-	-	-
2BR/1BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	20%	302	9	2.5%	112,105	114,907	117,780	120,725	123,743
3BR/2BA	25%	396	9	2.5%	146,998	150,673	154,440	158,301	162,259
3BR/2BA	30%	490	10	2.5%	202,102	207,155	212,333	217,642	223,083
3BR/2BA	40%	678	11	2.5%	307,607	315,298	323,180	331,260	339,541
4BR/2BA	20%	0	0	2.5%	-	-	-	-	-
4BR/2BA	25%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	Manager's	490	2	2.5%	40,420	41,431	42,467	43,528	44,617
<b>TOTAL RENTAL INCOME</b>			<b>47</b>		<b>889,620</b>	<b>911,860</b>	<b>934,657</b>	<b>958,023</b>	<b>981,974</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-51</b>	<b>Year-52</b>	<b>Year-53</b>	<b>Year-54</b>	<b>Year-55</b>
Project-Based Rental Assistance			47	2.5%	337,627	346,068	354,720	363,588	372,677
Laundry, Late Fees, Interest Income & Misc.			47	2.5%	24,232	24,837	25,458	26,095	26,747
<b>TOTAL OTHER INCOME</b>					<b>361,859</b>	<b>370,905</b>	<b>380,178</b>	<b>389,682</b>	<b>399,424</b>
<b>TOTAL INCOME</b>					<b>1,251,479</b>	<b>1,282,766</b>	<b>1,314,835</b>	<b>1,347,706</b>	<b>1,381,398</b>
Less Vacancy Allowance				7%	(87,604)	(89,794)	(92,038)	(94,339)	(96,698)
<b>GROSS INCOME</b>					<b>1,163,875</b>	<b>1,192,972</b>	<b>1,222,797</b>	<b>1,253,367</b>	<b>1,284,700</b>
<b>OPERATING EXPENSES</b>		<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>	<b>Year-51</b>	<b>Year-52</b>	<b>Year-53</b>	<b>Year-54</b>	<b>Year-55</b>
Real Estate Taxes & Special Assessments	\$	106	1.5%	2.0%	13,458	13,727	14,002	14,282	14,567
Other Taxes	\$	17	0.2%	3.5%	4,468	4,624	4,786	4,954	5,127
Insurance	\$	250	3.5%	3.5%	65,623	67,920	70,297	72,757	75,304
Licenses	\$	8	0.1%	3.5%	1,955	2,023	2,094	2,167	2,243
Fuel & Gas	\$	12	0.2%	3.5%	3,351	3,468	3,590	3,715	3,845
Electricity	\$	94	1.3%	3.5%	24,574	25,434	26,324	27,245	28,199
Water & Sewer	\$	470	-6.5%	3.5%	123,427	127,747	132,218	136,846	141,635
Trash Removal	\$	165	2.3%	3.5%	43,562	45,087	46,665	48,298	49,989
Pest Control	\$	21	0.3%	3.5%	5,585	5,780	5,983	6,192	6,409
Building & Maintenance Repairs	\$	376	5.2%	3.5%	98,853	102,313	105,894	109,600	113,436
Building & Maintenance Supplies	\$	235	3.2%	3.5%	61,434	63,584	65,810	68,113	70,497
Supportive Services	\$	403	5.6%	3.5%	105,834	109,539	113,372	117,340	121,447
Annual MSHA Admin. Fee	\$	-	0.0%	3.5%	-	-	-	-	-
Gardening & Landscaping	\$	282	3.9%	3.5%	74,280	76,879	79,570	82,355	85,237
Management Fee	\$	298	4.1%	3.5%	78,189	80,926	83,758	86,690	89,724
On-Site Manager(s)	\$	480	6.7%	3.5%	125,996	130,406	134,970	139,694	144,583
Other Payroll	\$	94	1.3%	3.5%	24,574	25,434	26,324	27,245	28,199
Manager's Unit Expense	\$	250	3.5%	3.5%	65,679	67,977	70,357	72,819	75,368
Cleaning Supplies	\$	47	0.6%	3.5%	12,287	12,717	13,162	13,623	14,099
Benefits	\$	43	0.6%	3.5%	11,170	11,561	11,965	12,384	12,818
Payroll Taxes & Work Comp	\$	189	2.6%	3.5%	49,706	51,446	53,246	55,110	57,039
Advertising	\$	47	0.6%	3.5%	12,287	12,717	13,162	13,623	14,099
Telephone	\$	32	0.4%	3.5%	8,377	8,671	8,974	9,288	9,613
Legal & Accounting	\$	128	1.8%	3.5%	33,510	34,682	35,896	37,153	38,453
Office Supplies & Expense	\$	32	0.4%	3.5%	8,377	8,671	8,974	9,288	9,613
Miscellaneous Administrative	\$	121	1.7%	3.5%	31,443	32,544	33,683	34,862	36,082
<b>TOTAL OPERATING EXPENSES</b>	\$	<b>4,200</b>			<b>1,087,998</b>	<b>1,125,876</b>	<b>1,165,076</b>	<b>1,205,643</b>	<b>1,247,627</b>
Replacement Reserves	\$	500		0.0%	23,500	23,500	23,500	23,500	23,500
Operating Reserves	\$	-		0.0%	-	-	-	-	-
<b>TOTAL EXPENSES &amp; RESERVES</b>	\$	<b>4,700</b>			<b>1,111,498</b>	<b>1,149,376</b>	<b>1,188,576</b>	<b>1,229,143</b>	<b>1,271,127</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>52,377</b>	<b>43,596</b>	<b>34,221</b>	<b>24,223</b>	<b>13,574</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		<b>Loan Amount</b>			<b>Year-51</b>	<b>Year-52</b>	<b>Year-53</b>	<b>Year-54</b>	<b>Year-55</b>
Permanent Loan	Hard	\$ -			-	-	-	-	-
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 17,200			12,200	12,200	12,200	12,200	12,200
Deferred Developer Fee	Soft	\$ -			-	-	-	-	-
TCAP Loan	Soft	\$ 17,786,540			-	-	-	-	-
SB County HOME	Soft	\$ 1,022,170			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>40,177</b>	<b>31,396</b>	<b>22,021</b>	<b>12,023</b>	<b>1,374</b>
Deferred Dev. Fee Balance	Interest Rate:	3.00%			-	-	-	-	-
Debt Service Coverage Ratio on Hard Debt					<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

**Development Tasks and Timeline  
Rancho Hermosa – Santa Maria, CA**

<b>Project Milestones</b>	<b>Scheduled Date</b>	<b>Actual Date</b>
Site acquisition		Complete
Environmental assessment		
§ Phase 1		Complete
§ Phase 2	NA	
<b>Local Permits/Approvals</b>		
Site plan review application		Complete
Site plan review approval		Complete
CEQA/NEPA review completion		Complete
Entitlement approvals		Complete
Building permit		Complete
Other		
<b>Development Financing Approvals</b>		
County of SB HOME application		Complete
County of SB HOME approval		Complete
County of SB HOME closing	12/15/11	
CTCAC / TCAP application		Complete
CTCAC / TCAP award		Complete
CTCAC / TCAP loan closing		Complete
Construction lender application		Complete
Construction lender approval		Complete
Construction loan closing		Complete
Permanent lender application	NA	
Permanent lender approval	NA	
Permanent loan closing	NA	
<b>Construction to Stabilization</b>		
Grading permit		Complete
Building permit		Complete
Construction Loan Closing		Complete
Construction Start		Complete
Construction Completion		Complete
Lease-Up Completed	12/31/2011	
Stabilized Occupancy	4/15/2012	
Project Close Out	7/15/2012	

**Permanent Debt Financing  
Rancho Hermosa – Santa Maria, CA**

<b><u>Lien Position</u></b>	<b><u>Lender</u></b>	<b><u>Loan Type</u></b>	<b><u>Amount</u></b>
First	California Tax Credit Allocation Committee	TCAP Loan	\$17,786,540
Second	County of Santa Barbara	HOME Loan	\$ 1,022,170



**EXHIBIT C**  
**DEED OF TRUST**

EXHIBIT C

NO FEE DOCUMENT

**Recording requested by and  
when recorded, mail to:**

County of Santa Barbara  
Housing and Community Development  
105 E. Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Grants Administration Division Chief

NO FEE DOCUMENT PURSUANT TO  
GOVERNMENT CODE SECTION 27383

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**DEED OF TRUST,  
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("Deed of Trust") is made as of this \_\_\_\_ day of \_\_\_\_\_, 2011, by McClelland Santa Maria, L.P., a California limited partnership ("Trustor"), to Fidelity National Title Company, as trustee ("Trustee"), for the benefit of the County of Santa Barbara, a political subdivision of the State of California ("Beneficiary").

**GRANT IN TRUST**

1. **GRANT.** Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor's interest in the property located at 190 E. Inger Street in the City of Santa Maria, County of Santa Barbara, California (the "Property"), as more particularly described in the attached Exhibit A, incorporated herein by this reference;

TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property; all buildings, structures, fixtures, improvements, signs, and landscaping now or hereafter erected or located on the Property, including all equipment and machinery used for supplying or distributing heating, cooling, electricity, gas, water, air, and light, all kitchen and laundry appliances such as washers, dryers, refrigerators, garbage disposals, ovens, ranges, dishwashers, all plumbing and bathroom fixtures, all security and access control equipment, fire prevention and extinguishment equipment, elevators, floor coverings, window coverings, panelling, cabinets, (provided, however, that Trustor shall have the right to remove, if necessary, such fixtures, furnishings, and equipment for the purpose of replacement with similar items of the same quality performing the same functions,

which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased with the Loans' proceeds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all rents and income generated by the Property or improvements thereon (subject however to the assignment of rents to Beneficiary contained herein); all leases, subleases and rental agreements covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, or payments of similar nature with respect to such leases, subleases, or rental agreements; all easements and rights-of-way appurtenant to the Property, including parking and recreational easements, and all interests of Trustor in any land lying within the right-of-way of any street, sidewalks, and areas of land adjacent to or used in connection with the Property; all development rights and credits, air rights, water rights, and oil, gas or mineral rights with respect to the Property; all claims or demands with respect to insurance proceeds, and all awards made for a taking by eminent domain; all interests and rights in any private or government grants, subsidies, loans, or other financing with respect to development on the Property; all interests in personal property used in and about the Property (except furniture and other personal property of occupants of dwelling units on the Property); all intangible property and rights relating to the Property or operations on the Property, including trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction on the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction of improvements on the Property; all environmental tests, studies and reports with respect to the Property; all current and future claims and rights of action of Trustor against prior owners and operators of the Property, neighboring property owners and operators, tenants and former tenants, consultants, advisors, and other third parties with respect to environmental or Hazardous Materials contamination and cleanup of the Property under any federal, state, or local ordinances, statutes, regulations, or administrative decisions or common law.

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

### **OBLIGATIONS SECURED**

2. **OBLIGATIONS.** Trustor makes this grant for the purpose of securing the following obligations:

A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of One Million Twenty Two Thousand One Hundred Seventy Six Dollars (\$1,022,176) with interest thereon, evidenced by two promissory notes executed by Trustor, in the respective amounts of Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176) (the "HOME Note") and Four Hundred Fifty Thousand Dollars (\$450,000) (the "In Lieu Note"), both on file at the offices of Beneficiary and hereby incorporated by reference into this Deed of Trust (collectively the "Notes"), or as much as has been disbursed to Trustor therewith; and

B. Payment of any sums advanced by Beneficiary to protect the security and priority of this Deed of Trust; and

C. Payment of any sums advanced by Beneficiary following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein; and

D. Performance of every obligation, covenant or agreement of Trustor contained in this Deed of Trust, the Notes, the loan agreement executed between Trustor and Beneficiary on file at the offices of Beneficiary and hereby incorporated into this Deed of Trust by this reference (the "Loan Agreement"), and the regulatory agreements executed between Trustor and Beneficiary of even date herewith (the "Regulatory Agreements"), including all modifications, extensions and renewals of these obligations; and

E. Performance of any other obligation or repayment of any other indebtedness of Trustor to Beneficiary, where such evidence of obligation or indebtedness specifically recites that it is secured by this Deed of Trust; and

F. Performance of any obligations of Trustor in any other agreements with respect to financing of development of the Property or the Security the absence of which would adversely affect Beneficiary, whether or not Beneficiary is a party to such agreements.

### **ABSOLUTE ASSIGNMENT OF RENTS AND RIGHT TO POSSESSION**

3. **ASSIGNMENT.** As additional security, Trustor hereby assigns to Beneficiary: (a) all of the rents, revenues, profits, and income from the Security, any deposits now or hereafter in Trustor's possession which have been collected with respect to the Security, and any reserve or capital funds now or hereafter held by Trustor with respect to construction or operation of the Security (collectively, the "Rents"); and (b) the right to enter, take possession of, and manage the Security; provided however that Trustor shall have, before an Event of Default, the exclusive right to possess the Security and to collect Rents and use them in accordance with the documents described in Section 2.D. above (collectively, the "Loan Documents"). This assignment is intended to be an absolute and present transfer of Trustor's interest in existing and future Rents, effective as of the date of this Deed of Trust.

4. **ENFORCEMENT.** Upon the happening of an Event of Default which remains uncured after expiration of the applicable cure period pursuant to the terms of the Loan Agreement or other Loan Documents, Beneficiary may, in addition to other rights and remedies permitted by the Loan Agreement, this Deed of Trust, or applicable law: (a) enter upon, take possession of, and manage the Security, either in person as a mortgagee-in-possession, by agent, or by a receiver appointed by a court, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security, (b) collect all Rents, including those past due and unpaid, and apply the same to pay for the costs and expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured by this Deed of



Trust, all in such order as Beneficiary may determine, (c) enter upon and take possession of the Security, and complete construction of any improvements on the Security as provided for in the Plans and Specifications approved under the Loan Agreement or any modifications to the Plans and Specifications or the development that Beneficiary in its sole discretion believes is appropriate, and/or (d) Beneficiary may make, cancel, enforce, and modify leases and rental agreements, obtain and evict tenants, set and modify rent terms, sue for rents due, enter into, modify, or terminate any contracts or agreements, or take any legal action, as it deems necessary with respect to the Rents or to development or operation of the Security, subject to the rent restrictions imposed against the Property.

5. **APPOINTMENT OF A RECEIVER.** In any action to enforce this assignment, Beneficiary may apply for the appointment of a receiver to take possession of the Security and take whatever measures are necessary to preserve and manage the Security for the benefit of Beneficiary and the public interest. Trustor hereby consents to the appointment of a receiver. The receiver shall have all of the authority over the Security that Beneficiary would have if Beneficiary took possession of the Security under this assignment as a mortgagee-in-possession, including the right to collect and apply Rents and the right to complete construction of improvements.

6. **NO WAIVER OF POWER OF SALE.** The entering upon and taking possession of the Security and the collection of Rents shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or notice of default and, notwithstanding the continuance in possession of the Security or the collection and application of Rents, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust or by law upon occurrence of any Event of Default, including the right to exercise the power of sale.

### **COMMERCIAL CODE SECURITY AGREEMENT**

7. **GRANT.** This Deed of Trust is intended to be a security agreement and financing statement pursuant to the California Commercial Code for any of the items specified above as part of the Security which under applicable law may be subject to a security interest pursuant to the Commercial Code, and Trustor hereby grants Beneficiary a security interest in said items. Beneficiary may file a copy of this Deed of Trust in the real estate records or other appropriate index as a financing statement for any of the items specified as part of the Security. Trustor shall execute and deliver to Beneficiary at Beneficiary's request any financing statements, as well as extensions, renewals, and amendments thereof, and copies of this instrument in such form as Beneficiary may require to perfect a security interest with respect to said items. Trustor shall pay all costs of filing such financing statements and shall pay all reasonable costs of any record searches for financing statements and releases. Without the prior written consent of Beneficiary, Trustor shall not create or permit any other security interest in said items. This Deed of Trust constitutes a fixture filing under Sections 9313 and 9402(6) of the California Commercial Code.

8. **REMEDIES.** Upon Trustor's breach of any obligation or agreement in the Loan Documents, after expiration of any applicable cure period, Beneficiary shall have the remedies of

a secured party under the Commercial Code and at Beneficiary's option may also invoke the remedies provided for elsewhere in this Deed of Trust with respect to said items. Beneficiary may proceed against the items of real property and personal property specified above separately or together and in any order whatsoever.

### **RIGHTS AND OBLIGATIONS OF TRUSTOR**

**9. PERFORMANCE OF SECURED OBLIGATION.** Trustor shall promptly perform each obligation secured by this Deed of Trust in accordance with the Loan Documents.

**10. PAYMENT OF PRINCIPAL AND INTEREST.** Trustor shall promptly pay when due the principal and any interest due on the indebtedness evidenced by the Notes.

**11. MAINTENANCE OF THE SECURITY.** Trustor shall, at the Trustor's own expense, maintain and preserve the Security or cause the Security to be maintained and preserved in good condition, in good repair, and in a decent, safe, sanitary, habitable and tenantable condition. Trustor shall not cause or permit any violations of any laws, ordinances, regulations, covenants, conditions, restrictions, or equitable servitudes as they pertain to improvements, alterations, maintenance or demolition on the Security. Trustor shall not commit or permit waste on or to the Security. Trustor shall not abandon the Security. Beneficiary shall have no responsibility over maintenance of the Security. In the event Trustor fails to maintain the Security in accordance with the standards in this Deed of Trust, the Loan Agreement, or the Regulatory Agreements, Beneficiary and after any applicable cure periods, may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of interest as specified in the Notes (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this Deed of Trust.

**12. INSPECTION OF THE SECURITY.** Trustor shall permit Beneficiary to enter and inspect the Security during normal business hours for compliance with these obligations upon at least 24 hours advance notice of such visit by Beneficiary to Trustor or Trustor's management agent.

**13. LIENS, ENCUMBRANCES, AND CHARGES.** Trustor shall discharge any lien or encumbrance not approved by Beneficiary in writing that may attain priority over this Deed of Trust, as provided for in the Loan Agreement.

**14. DEFENSE AND NOTICE OF CLAIMS AND ACTIONS.** Trustor shall appear in and defend, at its own expense, any action or proceeding purporting to affect the Security and/or the rights of Beneficiary. Trustor shall give Beneficiary and Trustee prompt notice in writing of the assertion of any claim, of the filing of any action or proceeding and of any condemnation offer or action with respect to the Security upon Trustor's receipt of notice thereof.

**15. SUITS TO PROTECT THE SECURITY.** Beneficiary shall have power to institute and maintain such suits and proceedings as it may deem expedient (a) to prevent any impairment of the Security or the rights of Beneficiary, (b) to preserve or protect its interest in the Security and in the Rents, and (c) to restrain the enforcement of or compliance with any governmental legislation, regulation, or order, if the enforcement of or compliance with such legislation, regulation, or order would impair the Security or be prejudicial to the interest of Beneficiary.

**16. DAMAGE TO SECURITY.** Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to the Security. If any building or improvements erected on the Property is damaged or destroyed by an insurable cause, Trustor shall, at its cost and expense, repair or restore said buildings and improvements consistent with the original plans and specifications if Trustor reasonably determines that such restoration or repair is economically feasible. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be complete within one year thereafter. Subject to Trustor's election to rebuild, all insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Trustor shall make up the deficiency.

**17. TITLE.** Trustor warrants that Trustor lawfully has legal title to the Security without any limitation on the right to encumber other than those limitations set forth in the Loan Documents or other financing documents approved by Lender.

**18. GRANTING OF EASEMENTS.** Trustor may not grant easements, licenses, rights-of-way or other rights or privileges in the nature of easements with respect to the Security except those required or desirable for installation and maintenance of public utilities including water, gas, electricity, sewer, cable television, telephone, or those required by law.

**19. TAXES AND LEVIES.** Trustor shall pay prior to delinquency, all taxes, fees, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security. However, Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any contested liabilities. In the event that Trustor fails to pay any of the foregoing items, Beneficiary may, but shall be under no obligation to, pay the same, after Beneficiary has notified Trustor of such failure to pay and Trustor fails to fully pay such items within seven business days after receipt of such notice. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of interest as specified in the Notes (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this Deed of Trust.

**20. INSURANCE.** Trustor shall provide such insurance as required under the Loan Agreement and the Regulatory Agreements. In the event Trustor fails to maintain the full insurance coverage required by this Deed of Trust, Beneficiary, after at least seven business days prior notice to Trustor, may, but shall be under no obligation to, take out the required policies of

insurance and pay the premiums on such policies. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Notes (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this Deed of Trust.

**21. CONDEMNATION.** Subject to the rights of any senior lienholders, all judgments, awards of damages, settlements and compensation made in connection with or in lieu of taking all or any part of or interest in the Security under assertion of the power of eminent domain ("Funds") are hereby assigned to and shall be paid to Beneficiary. Beneficiary is authorized (but not required) to collect and receive any Funds and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Beneficiary shall determine at its sole option. All or any part of the amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this Deed of Trust.

Notwithstanding anything to the contrary set forth herein, Beneficiary shall, prior to the application of the Funds or any portion thereof to the indebtedness or other obligations, apply such portion of the Funds as is reasonable and necessary to repair and preserve the value, marketability and rentability of the Security. Trustor shall have the right to rebuild the development, and to use all available condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the loans encumbering the Property in balance and rebuild the development in a manner that provides adequate security to Lender for repayment of the Loans or, if such proceeds are insufficient or such security is inadequate, then Trustor shall have funded any deficiency and/or provided additional security; (b) Lender shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement; and (c) no material default then exists under the Loan Documents other than any default which is a direct result of the condemnation.

**22. ACCELERATION ON TRANSFER OF SECURITY; ASSUMPTION.** In the event that Trustor, without the prior written consent of the Beneficiary, sells, agrees to sell, transfers, or conveys its interest in the Security or any part thereof or interest therein, Beneficiary may at its option declare all sums secured by this Deed of Trust to be immediately due and payable. This option shall not apply in case of:

A. The grant of a leasehold interest to qualifying households who will occupy units in the development as provided for under the Loan Agreement and the Regulatory Agreements; or

B. Sale or transfer of fixtures or personal property pursuant to the grant provisions in this Deed of Trust. Consent to one sale or transfer shall not be deemed to be a waiver of the right to require such consent to future or successive transactions;

C. If Trustor is a partnership, removal of General Partner in accordance with the Limited Partnership Agreement.

D. If Trustor is a partnership, transfers of Trustor's limited partner interests; or

E. If Trustor is a partnership, transfer to the General Partner of the Trustor or a Beneficiary approved affiliate thereof.

**23. RECONVEYANCE BY TRUSTEE.** This trust is intended to continue for the entire term of the Loans. Upon written request of Beneficiary stating that all sums secured by this Deed of Trust have been paid and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

### **DEFAULT AND REMEDIES**

**24. EVENTS OF DEFAULT.** Any of the events listed in the Loan Agreement as an Event of Default shall also constitute an Event of Default under this Deed of Trust.

**25. ACCELERATION OF MATURITY.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the Loan Agreement, Beneficiary may declare all sums advanced to Trustor under the Notes and this Deed of Trust immediately due and payable.

**26. BENEFICIARY'S REMEDIES.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the Loan Agreement, Beneficiary may, in addition to other rights and remedies permitted by the Loan Agreement, the Notes, or applicable law, proceed with any or all of the following remedies:

A. Enforce the assignment of rents and right to possession as provided for in this Deed of Trust, and/or seek appointment of a receiver to take over possession of the Security and collect Rents;

B. Enter the Security and take any actions necessary in its judgment to complete construction on the Security, either in person or through a receiver appointed by a court;

C. Disburse from the Loans' proceeds under the Loan Agreement any amount necessary to cure any monetary default under this Deed of Trust, the Loan Agreement, or the Notes;

D. Commence an action to foreclose this Deed of Trust pursuant to California Code of Civil Procedure Section 725(a) *et seq.* as amended, and/or seek appointment of a receiver from a court of competent jurisdiction with the authority to protect Beneficiary's interests in the Security, including the authority to complete construction of improvements;

E. Deliver to Trustee a written declaration of Default and demand for sale, and a written Notice of Default and election to cause Trustor's interest in the Security to be sold and exercise its power of sale as provided for below; or

F. Pursue any other rights and remedies allowed at law or in equity.

**27. FORECLOSURE BY POWER OF SALE.** Should Beneficiary elect to foreclose by exercise of the power of sale contained in this Deed of Trust, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust (the deposit of which shall be deemed to constitute evidence that the unpaid sums disbursed under the Notes are immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said Notice of Sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to the purchaser its deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters of facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee, or Beneficiary, may purchase at the sale.

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

**28. APPLICATION OF SALE PROCEEDS.** After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale as follows: first, to the payment of all sums then secured by this Deed of Trust, in such order and amounts as Beneficiary in its sole discretion determines; and second, the remainder, if any, to the person or persons legally entitled thereto.

**29. REMEDIES CUMULATIVE.** No right, power or remedy conferred upon or reserved to Beneficiary by this Deed of Trust is intended to be exclusive of any other rights, powers or remedies, but each such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

## **GENERAL PROVISIONS**

30. **GOVERNING LAW.** This Deed of Trust shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

31. **STATEMENT OF OBLIGATION.** Beneficiary may collect a fee not to exceed the maximum allowable under applicable law for furnishing a statement of obligations as provided in the California Civil Code.

32. **CONSENTS AND APPROVALS.** Any consent or approval of Beneficiary required under this Deed of Trust shall not be unreasonably withheld.

33. **TIME.** Time is of the essence in this Deed of Trust.

34. **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Trustor and Beneficiary shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Trustor and Beneficiary as follows:

**BENEFICIARY:** County of Santa Barbara  
Housing and Community Development  
105 E. Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Grants Administration Division Chief

**TRUSTOR:** McClelland Santa Maria, L.P.  
c/o Surf Development Company  
815 West Ocean Avenue  
Lompoc, CA 93436

35. **BINDING UPON SUCCESSORS.** All provisions of this Deed of Trust shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Trustor, Trustee, and Beneficiary.

36. **WAIVER.** Any waiver by Beneficiary of any obligation of Trustor in this Deed of Trust must be in writing. No waiver will be implied from any delay or failure by Beneficiary to take action on any breach or default of Trustor or to pursue any remedy allowed under the Deed of Trust or applicable law. Any extension of time granted to Trustor to perform any obligation under this Deed of Trust shall not operate as a waiver or release Trustor from any of its obligations under this Deed of Trust. Consent by Beneficiary to any act or omission by Trustor shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Beneficiary's written consent to future waivers.

**37. AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Deed of Trust must be in writing, and shall be made only if mutually agreed upon by Beneficiary and Trustor.

**38. LOAN AGREEMENT CONTROLS.** If there is any contradiction between this instrument and the Loan Agreement, the terms of the Loan Agreement shall control, except that Trustor shall have no defense or claim that this instrument does not establish a valid lien on the Property or the Security.

**39. DEFINITIONS.** Capitalized terms not otherwise defined in this Deed of Trust shall have the same meaning as defined terms in the Loan Agreement.

**40. PROOFS OF CLAIM.** In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, recomposition or other proceedings affecting Trustor, its creditors or its property, Trustee, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by Trustor hereunder after such date.

**41. SEVERABILITY.** Every provision of this Deed of Trust is intended to be severable. If any term or provision of this Deed of Trust is declared to be illegal, invalid, or unenforceable by a court of competent jurisdiction, the legality, validity, and enforceability of the remaining provisions shall not be affected. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt and all payments made on the debt (whether voluntary or under foreclosure or other enforcement action or procedure) shall be considered to have been first paid or applied to the payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

**42. SUBSTITUTION OF TRUSTEES.** Beneficiary may from time to time appoint another trustee to act in the place and stead of Trustee or any successor. Upon such appointment and without conveyance, the successor trustee shall be vested with all title, powers, and duties conferred upon Trustee.

**43. ACCEPTANCE BY TRUSTEE.** Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law, the Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

**44. NONRECOURSE OBLIGATION.** Except as expressly provided in the second paragraph of this section, the Trustor, and the Trustor's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the Notes or the performance of the covenants of the Trustor under the Deed of Trust securing the Notes. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the Notes shall be to the property securing the indebtedness evidenced by the Notes.



However, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Notes of all the rights and remedies of the Beneficiary, or (b) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the Notes as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Notes, except as hereafter set forth; nothing contained herein is intended to relieve the Trustor of personal liability for (a) fraud or willful misrepresentation; (b) the failure to pay taxes, assessments or other charges (which are not contested by Trustor in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (c) the fair market value of any personal property or fixtures removed or disposed of by Trustor other than in accordance with the Deed of Trust; (d) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; (e) the Trustor's indemnification obligations under the Loan Agreement; and (f) payment to the Beneficiary of any rental income or other income arising with respect to the Property received by the Trustor after the Beneficiary has given notice to the Trustor of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the Deed of Trust.

**45. TAX CREDITS.** Notwithstanding anything to the contrary contained herein or in any documents secured by this deed of trust or contained in any subordination agreement, the Beneficiary acknowledges and agrees that in the event of a foreclosure or deed-in-lieu of foreclosure (collectively, "Foreclosure") with respect to the property encumbered by this deed of trust, the following rule contained in Section 42(h)(6)(E)(ii) of the Internal Revenue Code of 1986, as amended, shall apply:

For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the regulatory agreement with the California Tax Credit Allocation Committee, (i) none of the tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

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

TRUSTOR:

**McClelland Santa Maria, L.P.**  
a California limited partnership

By: Surf Development Company, a California non-profit public benefit corporation, Managing General Partner

By: \_\_\_\_\_  
Name: Joyce Howerton  
Title: Vice-President

AND

By: Roope, LLC  
Administrative General Partner

By: \_\_\_\_\_  
Name: Caleb Roope  
Title: Manager

[TRUSTOR'S SIGNATURE MUST BE ACKNOWLEDGED]

EXHIBIT A

Legal Description of the Property

All that certain Land situated in the State of California in the County of Santa Barbara, described as follows:

**EXHIBIT D**

**HOME PROMISSORY NOTE**

## HOME PROMISSORY NOTE

Santa Barbara, California

\$572,176

\_\_\_\_\_, 2011

FOR VALUE RECEIVED, McClelland Santa Maria, L.P., a California limited partnership ("Borrower"), whose address is 815 West Ocean Blvd, Lompoc, California, 93436, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California ("Lender"), whose address is 105 E. Anapamu Street, Room 105, Santa Barbara, California 93101, the principal amount equal to Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176), or so much thereof as may be advanced by Lender to Borrower, together with interest thereon, as set forth below.

1. **PURPOSE.** In order to assist Borrower in developing forty-seven (47) units of affordable housing, Lender loaned the amount of One Million Twenty Two Thousand One Hundred Seventy Six Dollars (\$1,022,176) to Borrower. Of that amount, Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176) is derived from funds received by the County from the Federal Department of Housing and Urban Development HOME Investment Partnerships Program (the "HOME Funds"); the remainder is derived from funds set aside by Lender for the development of affordable housing in the County of Santa Barbara (the "In-Lieu Funds").

2. **BORROWER'S OBLIGATION.** This promissory note (the "HOME Note") evidences Borrower's obligation to pay Lender the principal amount of Five Hundred Seventy Two Thousand One Hundred Seventy Six Dollars (\$572,176), (the "HOME Loan") for the HOME Funds loaned to Borrower by Lender for the specific uses designated in a loan agreement of even date herewith, between Borrower and Lender (the "Loan Agreement").

3. **INTEREST.** Subject to Section 4, this HOME Note shall bear simple interest at the rate of four and one half percent (4.5%) per annum.

4. **DEFAULT INTEREST.** In the event of a default by Borrower of any of its obligations under this HOME Note, Borrower shall pay to Lender interest on the outstanding principal of this HOME Note, at an annual rate equal to the lesser of (i) ten percent (10%) or (ii) the highest interest allowed by law, from the date of the default until the date that the default is cured or the HOME Loan is repaid in full.

5. **AMOUNT AND TIME OF PAYMENT.** The principal and all current and accrued interest of the HOME Loan shall be due and payable on the earlier of (a) fifty five (55) years from the date of the HOME Note, (b) the date the Property is sold or otherwise transferred except for a transfer to the general partner of Borrower or an affiliate thereof that has been approved by Lender in writing, (c) Borrower has failed to commence construction as set forth in Section 4.2 of the Loan Agreement, or (d) an Event of Default by Borrower which has not been cured as provided for in the Loan Agreement. In any event, the principal and all current and accrued interest of the HOME Loan shall be due and payable no later than December 15, 2066.

6. **DEFINITIONS.** All initially capitalized terms in this HOME Note shall have the definition ascribed to such terms in the Loan Agreement.

7. **PAYMENTS.** Payments shall commence on the first April 1<sup>st</sup> following recordation of a Notice of Completion for the Project. Borrower shall make annual payments on the HOME Loan and the In Lieu Loan together from Residual Receipts. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year together with an amount equal to the Residual Receipts for the preceding calendar up to the amount of the HOME Loan payment due. Lender shall review and approve such statement, or request revisions, within sixty (60) days after receipt. In the event Lender fails to approve or disapprove the Annual Financial Statement within the sixty (60) day period, Borrower may request a written determination of approval or disapproval following the expiration of such period. In the event Lender fails to provide a written determination to Borrower within ten (10) days following the receipt of Borrower's request for determination, the Annual Financial Statement shall be deemed approved. In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, within twenty (20) days of notice of such understatement. In the event that Lender determines that there is an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall promptly pay to Borrower the amount of overpayment, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest. All payments made by Borrower shall be applied as follows: first to pay current annual interest due, if any, first on the HOME Loan and then on the In Lieu Loan; then to the cumulative interest owed, if any, first on the HOME Loan and then on the In Lieu Loan; then to reduce the principal amount of the HOME Loan, and then to reduce the principal amount of the In Lieu Loan. Upon receipt of any payment applied to this HOME Note, the money shall be deposited into the County's HOME account. In any event all principal owed and all current and accrued interest of the HOME Loan shall be due and payable as provided in Section 5 above.

8. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this HOME Note are payable at the office of Lender at the address set forth above, or at such other place as Lender may designate to Borrower in writing from time to time, in any coin or currency of the United States which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

9. **DEFAULT AND ACCELERATION.** This HOME Note is secured by a Deed of Trust. All covenants, conditions and agreements contained in the Deed of Trust and the Loan Agreement are hereby made a part of this HOME Note. Borrower agrees that the unpaid balance of the then principal amount of this HOME Note, shall, at the option of Lender, become immediately due and payable upon any Event of Default as defined in the Loan Agreement which has not been cured pursuant to that Loan Agreement, including without limitation the failure of Borrower to make any payment when due. Upon any Event of Default, Lender may exercise any other right or remedy permitted under the Loan Agreement, this HOME Note and the Deed of Trust (collectively, the "Loan Documents"). Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any default made or tendered by Borrower's Limited Partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

10. **NO OFFSET.** Borrower hereby waives any rights of offset it now has or may hereafter have against Lender, its successors and assigns, and agrees to make the payments called for herein in accordance with the terms of this HOME Note.

11. **WAIVERS.** Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorsers of this HOME Note, if any.

12. **CONSENTS AND APPROVALS.** Any consent or approval of Lender required under this HOME Note shall not be unreasonably withheld or delayed.

13. **NOTICES.** Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by Lender shall be in writing and may be communicated to Borrower at the principal office of Borrower set forth above, or at such other place or places as Borrower shall designate in writing, from time to time, for the receipt of communications from Lender.

14. **BINDING UPON SUCCESSORS.** All provisions of this HOME Note shall be binding upon and inure to the benefit of the successors-in-interest, transferees, and assigns of Borrower and Lender.

15. **GOVERNING LAW.** This HOME Note shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

16. **SEVERABILITY.** Every provision of this HOME Note is intended to be severable. If any provision of this HOME Note shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

17. **TIME.** Time is of the essence in this HOME Note.

18. **ATTORNEYS' FEES AND COSTS.** In the event any legal action is commenced to interpret or to enforce the terms of this HOME Note, the prevailing party in any such action shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action.

19. **WAIVER.** Any waiver by Lender of any obligation in this HOME Note must be in writing. No waiver shall be implied from any failure of Lender to take, or any delay or failure by Lender to take action on any breach or default by Borrower or to pursue any remedy allowed under this HOME Note or applicable law. Any extension of time granted to Borrower to perform any obligation under this HOME Note shall not operate as a waiver or release from any of its obligations under this HOME Note.

20. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this HOME Note must be in writing, and shall be made only if executed by both Borrower and Lender.

21. **NONRECOURSE.** Except as expressly provided in the second paragraph of this section, Borrower, and Borrower's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, this HOME Note. The sole recourse of the Lender with respect to the principal of, or interest on, the HOME Note shall be to the property securing the indebtedness evidenced by the HOME Note. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the HOME Note of all the rights and remedies of the Lender, or (ii) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the HOME Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the HOME Note, except as hereafter set forth; nothing contained herein is intended to relieve Borrower of personal liability to the extent of actual damages for (i) Borrower's fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges (which are not contested by Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust or other Loan Documents; (iv) the material misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; (v) Borrower's indemnification obligations under Article 6 and Article 7 of the Loan Agreement; and (vi) payment to the Lender of any rental income or other income arising with respect to the Property received by Borrower after the Lender has given notice to Borrower of the occurrence of an Event of Default and after the expiration of all applicable notice and cure periods, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the Deed of Trust.

22. **LOAN AGREEMENT CONTROLS.** In the event that any provisions of this HOME Note and the Loan Agreement conflict, the terms of the Loan Agreement shall control.

BORROWER:

**McClelland Santa Maria, L.P.**  
a California limited partnership

By: Surf Development Company, a California non-profit public benefit corporation, Managing General Partner

By: \_\_\_\_\_  
Name: Raymond F. Down  
Title: President

AND



By: Roope, LLC  
Administrative General Partner

By: \_\_\_\_\_  
Name: Caleb Roope  
Title: Manager

**EXHIBIT E**

**HOME REGULATORY AGREEMENT**