

**LOAN AGREEMENT
(\$235,000)**

Between

County of Santa Barbara

and

Surf Development Company

(Braddock House)



HOME Investment Partnerships Program

Catalog of Federal Domestic Assistance Number 14.239

**LOAN AGREEMENT
(Braddock House)**

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 Surf Development Company, a California nonprofit public benefit corporation (“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 has provided affordable housing services to low income households in Santa Barbara County since 1988; and

C. Borrower has constructed a congregate care home including four Home Assisted Units for low-income disabled residents (the “Project”) on land it owns located at 5575 Armitos Avenue in the City of Goleta, California, as more particularly described in Exhibit A (the “Property”).

D. 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.

E. Surf Development Company has been certified by the County as a Community Housing Development Organization (“CHDO”) as defined by HUD under its HOME Investment Partnerships (“HOME”) Program.

F. Borrower has executed a document restricting rents and tenant income titled HOME Regulatory Agreement and Declaration of Restrictive Covenants (HOME Regulatory Agreement) in which all four (4) of the congregate care units are identified as HOME-assisted units.

G. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan in the total amount of Two Hundred Thirty Five Thousand Dollars (\$235,000) (the “Loan”) to repay a construction loan on the Project which was used for certain costs eligible for payment under the HOME program. The terms of the Loan are set out in this Agreement.

H. The HOME Loan will be evidenced by a promissory note in the amount of Two Hundred Thirty Five Thousand Dollars (\$235,000) executed by Borrower in favor of Lender, and secured by a 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 **“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.

1.2 **“BORROWER”** is Surf Development Company, a California nonprofit public benefit corporation, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

1.3 **“BUDGET”** means that budget for permanent 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.

1.4 **“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.

1.5 **“COUNTY”** means the County of Santa Barbara, political subdivision of the State of California.

1.6 **“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 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.

1.7 **“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.

1.8 **“HOME AFFORDABILITY PERIOD”** means the thirty (30) year term during which the HOME Assisted Units must meet the affordability requirements imposed under the HOME Program, commencing when the Project is closed in the Federal Integrated Disbursement Information System.

1.9 **“HOME ASSISTED UNIT”** means any of the four (4) housing units on the Property which are supported by HOME Funds.

1.10 **“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.

1.11 **“HOME REGULATORY AGREEMENT”** means the agreement executed by Borrower and Lender, attached as Exhibit E, and recorded against the Property which regulates the use of the HOME Assisted Units in the Project.

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

1.13 **“INSURANCE REQUIREMENTS”** means the insurance coverage and indemnity requirements which must be in full force and effect during the term of the Regulatory Agreement, as specified in Exhibit F.

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

1.15 **“LOAN”** means the loan of HOME Funds in the amount of Two Hundred Thirty Five Thousand Dollars (\$235,000) as provided in this Loan Agreement to refinance certain development costs of the Project.

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

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

1.18 **“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.

1.19 **“NOTE”** means the promissory note executed by the Borrower in favor of Lender in the amount of Two Hundred Thirty Five Thousand Dollars (\$235,000), 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.

1.20 **“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 the Senior Loan. 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. The Operating Expenses shall be reported in the Annual Financial Statement.

1.21 **“PAYMENT DATE”** shall mean April 1st 2012 and each April 1st thereafter until the Loan is paid in full or otherwise terminated.

1.22 **“PROJECT”** means the operation and management of the Property and the improvements constructed thereon according to the terms of this Loan Agreement.

1.23 **“PROPERTY”** means property located at 5575 Armitos Avenue, located in the City of Goleta, California, as more particularly described in Exhibit A. (the “Property”).

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

1.25 **“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.

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

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

1.28 **“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/Lompoc Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

ARTICLE 2 TERMS OF THE LOAN

2.1 **LOAN.** On and subject to the terms and conditions of the Loan Documents, Lender agrees to make and Borrower agrees to accept a loan with the following terms:

2.2 **AMOUNT.** The principal amount of the Loan shall be an amount not to exceed Two Hundred Thirty Five Thousand Dollars (\$235,000) and shall be evidenced by the Note.

2.3 **INTEREST.** Subject to the provisions of Section 2.4, the Note shall bear simple interest at a rate of three percent (3%) per annum from the date of the Note.

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, 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 are repaid in full.

2.5 **TERM OF LOAN.** For each Loan, the principal of the Loan shall be due and payable on the earlier of: (a) thirty (30) 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 (d) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement. In any event, the principal and all current and accrued interest of the Loan shall be due and payable no later than December 15, 2042. 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 Loan will be paid to the Lender 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 shall not be utilized for any commercial costs associated with the Project.

2.8 **SECURITY.** Borrower shall secure its obligation to repay the Loan 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 Senior Loan.

2.9 REPAYMENT OF THE LOAN.

Payments shall commence on April 1st 2012. Borrower shall make annual payments on the Loan 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 year. 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; then to the cumulative interest owed, if any; then to reduce the principal amount of the HOME Loan. In any event all principal owed and all current and accrued interest of the Loan shall be due and payable as provided in Section 2.5 above.

In any event, all accrued interest and principal shall be due and payable thirty (30) years from the date of the Note.

Upon receipt of any payment applied to this Note, the money shall be deposited into the County's HOME account in conformity with its HOME Consortium Agreement.

2.10 NOTICE REGARDING CHDO SET-ASIDE FUND REPAYMENT. Any HOME Funds are provided under this Agreement from the HOME Consortium CHDO set-aside pursuant to 24 CFR 92.300 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 the Loan amounts prior to the end of the terms described herein. However, prepayment of the Loan shall not affect Borrower's obligations under the HOME Regulatory Agreement.

2.12 ANNUAL OPERATING EXPENSES. Thirty (30) days prior to end of the calendar 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 HOME Regulatory Agreement 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 or take any other action under the Loan Documents unless the following conditions precedent are satisfied prior to the disbursement of the Loan:

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 a ALTA Lender's policy of title insurance in the amount of Two Hundred Thirty Five Thousand Dollars (\$235,000), from a title insurance company approved by the Lender in a form reasonably acceptable to Lender;

C. Borrower has provided to Lender a certificate of insurance or copy of the insurance policy, which policy shall be satisfactory to the Lender;

D. Borrower has submitted and Lender has approved an appraisal for the Property;

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

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

3.2 **DISBURSEMENT OF LOAN PROCEEDS.** Disbursement of Loan proceeds shall not exceed a total of Two Hundred Thirty Five Thousand Dollars (\$235,000) to be disbursed through escrow in one payment except that, as a special disbursement condition, Lender shall holdback 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 of the project 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.

ARTICLE 4 COMPLIANCE WITH HOME REQUIREMENTS

4.1 **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 regulation that apply to the use of Loan proceeds under this Agreement include by are not limited to:

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. **Environmental Review.** The provisions of the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321), and applicable related environmental authorities at 24 CFR Part 50.4, and HUD's implementing regulations at 24 CFR Part 50.

F. **Fair Housing.** The requirements of the Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR Parts 100, 109 and 110; Executive Order 11063 (Equal Opportunity in Housing) and implementing regulations at 24 CFR Part 107; and Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted

Programs) and implementing regulations issued at 24 CFR Part 1, and will affirmatively further fair housing.

G. **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.”

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

ARTICLE 5 OPERATION

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

Borrower shall agree to maintain and operate the HOME Assisted Units so as to provide decent, safe, and sanitary housing. Optional services provided must be available to all residents under the same terms and conditions.

Borrower agrees that during the term of the HOME Regulatory Agreement, Lender shall have the right to review, approve and demand material changes to the Management Plan, operation of the building and property management entity, if determined by the County important 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 **AFFIRMATIVE MARKETING PLAN.** The Project contains less than five (5) units, and is not, therefore, subject to affirmative marketing requirements.

5.3 **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 G.

5.4 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.

5.5 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 Agreement.

5.6 INCOME CERTIFICATION. Borrower shall limit for the full term of the HOME Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule and methods contained in the HOME Regulatory Agreement.

5.7 AFFORDABILITY RESTRICTIONS. All four (4) units in the Project shall be designated as HOME Assisted Units. All of the Assisted Units must be occupied, or reserved for occupancy by Qualifying Households, as set forth in the HOME Regulatory Agreement.

5.8 ASSISTED UNIT RENTS. Rents for Assisted Units shall be limited to Qualifying Rents as set forth in the HOME Regulatory Agreement.

5.9 CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY. Any conflicts between the restrictive provisions contained in this Loan Agreement, Note, Deed of Trust, HOME Regulatory Agreement, 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.

5.10 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.

5.11 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.

5.12 AUDITS. Borrower shall conduct annual audits in accordance with 24 CFR Part 44, and OMB Circular A-133. 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 Loan.

5.13 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.

5.14 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.

5.16 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.

5.17 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.

5.18 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 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.).

5.19 PROPERTY STANDARDS. Borrower shall maintain and operate the Project in good repair and habitable condition.

Borrower shall operate the Project in full conformance with applicable local, state and federal statutes and regulations, and building and housing codes, including:

- 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, 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 at 24 CFR 893.6(b).

The above property standards apply throughout the HOME Affordability Period.

5.20 DISPLACEMENT AND RELOCATION. If and to the extent that development or operation 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.

5.21 BARRIERS TO THE DISABLED. The Project shall be developed and the Property shall be maintained and operated to comply with all applicable federal, state, and local requirements for access for disabled persons.

5.22 LEAD-BASED PAINT AND ASBESTOS REMOVAL. Borrower and its contractors and subcontractors shall not use lead-based paint or asbestos in the construction or maintenance of the Property and shall comply with Federal Regulations set forth in 24 CFR Part 35, subparts A, B, J, K, M and R, , 29 C.F.R., 40 C.F.R., Title X, California O.S.H.A., California health codes, and all County standards. Borrower shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Property which involve the application of paint or removal of asbestos.

ARTICLE 6 INDEMNITY AND INSURANCE

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

6.2 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 sanitary state and with all of the HOME Assisted Units either being under repair, occupied or being actively marketed;

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 or failure to maintain 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, or if Borrower fails to adequately maintain Property as set forth in this Agreement;

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 Home Regulatory Agreement 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.

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

E. 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;

F. 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;

G. 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

H. 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 HOME Regulatory Agreement, 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 Loan 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.

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 Loan 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 Loan. 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 HOME Regulatory Agreement 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 Manager

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

BORROWER: Surf Development Company
815 West Ocean Avenue
Lompoc, CA 93436
Attn: Board President

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 Loan.

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.

Exhibits

- A Property Description
- B Budget
- C Deed of Trust
- D Promissory Note
- E Home Regulatory Agreement
- F Insurance and Indemnity Requirements
- G Management Plan

IN WITNESS WHEREOF, County and Surf Development Company 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

OWNER:

Surf Development Company
a California nonprofit public benefit corporation

By: _____
Juan Izquierdo
Division Chief

By: _____
Name: Raymond Down
Title: Board President

AND

APPROVED AS TO FORM

DENNIS A. MARSHALL
COUNTY COUNSEL

By: _____
Name: _____
Title: _____

By: _____
Mary L. McMaster
Senior Deputy County Counsel

APPROVED AS TO FORM:

RISK MANAGEMENT

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

By: _____
Ray Aromatorio
Risk Manager

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF GOLETA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Parcel 2 of Parcel Map No. 32,028 in the City of Goleta, County of Santa Barbara, State of California, as shown on the map filed in Book 62, Pages 56 and 57 of Parcel Maps in the office of the County Recorder of said County.

APN: 071-090-087

Dated: October 26, 2011

EXHIBIT B
BUDGET

Goleta Braddock House
Financial Projects - Sources and Uses of Funds

8/23/11

Uses: Acquisition and lease up

Land (Donated by Housing Authority - Appraised value \$400,000)	-
Utilities, permits & other fees	120,029
Survey, soils, environmental & other studies	11,259
Architect	132,821
Engineering	113,584
Consulting	70,651
Construction costs	551,170
Special Amenities (unable to determine accurately)	-
Attorney fees - subsidy layering	6,909
Financing fees	5,886
Closing costs (estimate)	2,500
TOTAL USES	<u><u>1,014,809</u></u>

Permanent Sources

Surf Development Company equity contribution	287,734
City of Goleta and Santa Barbara County HOME	235,000
TCRC - End of year funds (already received)	292,075
TCRC - Supportive living (Housing Authority back-up Commitment)	-
City of Goleta - RDA	200,000
TOTAL SOURCES	<u><u>1,014,809</u></u>

Goleta Braddock House Rent Schedule

Number of Units	Type of Units	Section 8	Square Footage	Median Income Restriction	Monthly Allowed Rent	Monthly Opening Rent	Utility Allowance	Monthly Rent	Total Rent
1	4 BR - 2 BA	Yes	2,400	30%	\$ 4,600	4,600		4,600	4,600
<u>Per Bedroom</u>					\$ 1,150.00				
<u>1 Totals</u>									<u>4,600</u>
Annualized residential rent									<u>55,200</u>

Goleta Braddock House
Proforma - 1st Year

8/15/2011

		<u>Monthly</u>	<u>Annual</u>
Gross Rental Income		4,600	55,200
Other income		-	-
Total Revenue		<u>4,600</u>	<u>55,200</u>
Vacancy factor Residential	5.00%	(230)	(2,760)
		<u>(230)</u>	<u>(2,760)</u>
Total Projected Revenue		4,370	52,440
<u>Operating Expenses:</u>			
Management fee		219	2,628
On-site manager & benefits		-	-
General & Administrative		25	300
Repairs & maintenance		250	3,000
Utilities		200	2,400
Real Estate		110	1,320
Insurance		100	1,200
Miscellaneous		-	-
Operating expenses		<u>904</u>	<u>10,848</u>
<u>Reserves</u>			
Operating reserves		250	3,000
Replacement reserves		250	3,000
		<u>500</u>	<u>6,000</u>
Net Operating Income		2,966	35,592
<u>Debt Service</u>			
Permanent financing - 1st mortgage		-	-
County of Santa Barbara - HOME funds		991	11,889
Other		-	-
		<u>991</u>	<u>11,889</u>
Residual receipts		<u>1,975</u>	<u>23,703</u>

Goleta Braddock House

Calculation of Debt Service

Bank financing

Loan Amount	-
Term (30 years)	360
Interest Rate	7.00%

Payment -

Year 1 activity

		Interest	Principal	Payment	Balance
Payment					
1		-	-	-	-
2		-	-	-	-
3		-	-	-	-
4		-	-	-	-
5		-	-	-	-
6		-	-	-	-
7		-	-	-	-
8		-	-	-	-
9		-	-	-	-
10		-	-	-	-
11		-	-	-	-
12		-	-	-	-
		-	-	-	-

Goleta Braddock House

Calculation of Debt Service

County of Santa Barbara

Loan Amount	235,000
Term (30 years)	360
Interest Rate	3.00%

Payment	991
---------	-----

Year 1 activity

	Interest	Principal	Payment	Balance
1	588	403	991	234,597
2	586	405	991	234,192
3	585	406	991	233,787
4	584	407	991	233,380
5	583	408	991	232,972
6	582	409	991	232,563
7	581	410	991	232,154
8	580	411	991	231,743
9	579	412	991	231,331
10	578	413	991	230,918
11	577	414	991	230,505
12	576	415	991	230,090
	6,979	4,910	11,889	

Goleta Braddock House

15 Year Stabilized Cash Flow

	Year 1 2010	Year 2 2011	Year 3 2012	Year 4 2013	Year 5 2014	Year 6 2015	Year 7 2016	Year 8 2017	Year 9 2018	Year 10 2019	Year 11 2020
Annual Income Increases	0	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Annual Expense Increases	0	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Property Tax Increase	0	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Number of Units Available for Rent	4	4	4	4	4	4	4	4	4	4	4
Vacancy Rate Residential	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Vacancy Rate Commercial	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Gross Rental Income	55,200	56,580	57,995	59,444	60,930	62,454	64,015	65,615	67,256	68,937	70,661
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-	-
Total Potential Rental Revenue	55,200	56,580	57,995	59,444	60,930	62,454	64,015	65,615	67,256	68,937	70,661
Vacancy factor Residential	(2,760)	(2,829)	(2,900)	(2,972)	(3,047)	(3,123)	(3,201)	(3,281)	(3,363)	(3,447)	(3,533)
Vacancy factor Commercial	-	-	-	-	-	-	-	-	-	-	-
Total Projected Revenue	52,440	56,580	57,995	59,444	60,930	62,454	64,015	65,615	67,256	68,937	70,661
Expenses:											
Operating expenses	9,528	9,861	10,207	10,564	10,934	11,316	11,712	12,122	12,547	12,986	13,440
Deferred Maintenance	-	-	-	-	-	-	-	-	-	-	-
Real Estate Property Tax	1,320	1,346	1,373	1,401	1,429	1,457	1,487	1,516	1,547	1,578	1,609
Operating reserves	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Replacement reserves	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Total Expenses and Reserves	16,848	17,208	17,580	17,965	18,362	18,774	19,199	19,639	20,093	20,563	21,049
Net Operating Income	35,592	39,372	40,415	41,480	42,568	43,680	44,816	45,977	47,163	48,374	49,611
Debt Service:											
1st Mortgage	-	-	-	-	-	-	-	-	-	-	-
County of Santa Barbara - HOME	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889
Other	-	-	-	-	-	-	-	-	-	-	-
Total Debt Service	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889
Cash Flow Available:	23,703	27,483	28,525	29,590	30,679	31,791	32,927	34,088	35,273	36,485	37,722

8/15/11

Year 16 2025	Year 17 2026	Year 18 2027	Year 19 2028	Year 20 2029	Year 21 2030	Year 22 2031	Year 23 2032	Year 24 2033	Year 25 2034	Year 26 2035	Year 27 2036	Year 28 2037
2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
4	4	4	4	4	4	4	4	4	4	4	4	4
5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
79,946	81,945	83,993	86,093	88,246	90,452	92,713	95,031	97,407	99,842	102,338	104,896	107,519
-	-	-	-	-	-	-	-	-	-	-	-	-
79,946	81,945	83,993	86,093	88,246	90,452	92,713	95,031	97,407	99,842	102,338	104,896	107,519
(3,997)	(4,097)	(4,200)	(4,305)	(4,412)	(4,523)	(4,636)	(4,752)	(4,870)	(4,992)	(5,117)	(5,245)	(5,376)
-	-	-	-	-	-	-	-	-	-	-	-	-
(3,997)	(4,097)	(4,200)	(4,305)	(4,412)	(4,523)	(4,636)	(4,752)	(4,870)	(4,992)	(5,117)	(5,245)	(5,376)
79,946	81,945	83,993	86,093	88,246	90,452	92,713	95,031	97,407	99,842	102,338	104,896	107,519
15,963	16,521	17,100	17,698	18,318	18,959	19,622	20,309	21,020	21,756	22,517	23,305	24,121
1,777	1,812	1,848	1,885	1,923	1,961	2,001	2,041	2,082	2,123	2,166	2,209	2,253
3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
23,739	24,334	24,948	25,583	26,241	26,920	27,623	28,350	29,101	29,879	30,683	31,514	32,374
56,207	57,611	59,045	60,510	62,005	63,531	65,090	66,681	68,305	69,963	71,655	73,382	75,145
-	-	-	-	-	-	-	-	-	-	-	-	-
11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889
-	-	-	-	-	-	-	-	-	-	-	-	-
11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889	11,889
44,318	45,722	47,156	48,620	50,116	51,642	53,201	54,792	56,416	58,074	59,766	61,493	63,255

EXHIBIT C
DEED OF TRUST

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

NO FEE DOCUMENT PURSUANT TO
GOVERNMENT CODE SECTION 27383

**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 Surf Development Company, a California non-profit public benefit corporation (“Trustor”), to First American 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 5575 Armitos Avenue in the City of Goleta, 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 Loan's 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 Two Hundred Thirty Five Thousand Dollars (\$235,000) with interest thereon, evidenced by one promissory note executed by Trustor, in the amount of Two Hundred Thirty Five Thousand Dollars (\$235,000) on file at the offices of Beneficiary and hereby incorporated by reference into this Deed of Trust (the "Note"), 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 Note, 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 Agreement"), 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 Note.

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 tenable 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 Note (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 Loan. 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 Loan 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

TRUSTOR: Surf Development Company
815 West Ocean Avenue
Lompoc, CA 93436
Attn: Board President

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 unless separately defined herein.

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 intentment 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.

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

TRUSTOR:

**Surf Development Company, a California
non-profit public benefit corporation**

By: _____
Name: Raymond F. Down
Title: President

By: _____
Name:
Title:

[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:

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF GOLETA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Parcel 2 of Parcel Map No. 32,028 in the City of Goleta, County of Santa Barbara, State of California, as shown on the map filed in Book 62, Pages 56 and 57 of Parcel Maps in the office of the County Recorder of said County.

APN: 071-090-087

Dated: October 26, 2011

State of California
County of Santa Barbara

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT D

PROMISSORY NOTE

Exhibit D
PROMISSORY NOTE

Santa Barbara, California

\$235,000

_____, 2011

FOR VALUE RECEIVED, Surf Development Company, a California nonprofit public benefit corporation (“Borrower”), whose address is 815 West Ocean Avenue, 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 Two Hundred Thirty Five Thousand Dollars (\$235,000), 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 constructing a four (4) unit congregate care home for low-income disabled residents, Lender loaned the amount of Two Hundred Thirty Five Thousand Dollars (\$235,000) to Borrower. Such funds are derived from funds received by the County from the Federal Department of Housing and Urban Development HOME Investment Partnerships Program (the “HOME Funds”).

2. **BORROWER’S OBLIGATION.** This promissory note (the “Note”) evidences Borrower’s obligation to pay Lender the principal amount of Two Hundred Thirty Five Thousand Dollars (\$235,000), (the “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 Note shall bear simple interest at the rate of three percent (3%) per annum.

4. **DEFAULT INTEREST.** In the event of a default by Borrower of any of its obligations under this Note, Borrower shall pay to Lender interest on the outstanding principal of this 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 Loan is repaid in full.

5. **AMOUNT AND TIME OF PAYMENT.** The principal and all current and accrued interest of the Loan shall be due and payable on the earlier of (a) thirty (30) years from the date of the 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 Loan shall be due and payable no later than December 15, 2042.

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

7. PAYMENTS. Annual payments on the Loan shall commence on April 1st 2012 . Borrower shall make annual payments on the Loan from Residual Receipts. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year. 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 Loan; then to the cumulative interest owed on the Loan ; then to reduce the principal amount of the 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 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 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 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 Note. Borrower agrees that the unpaid balance of the then principal amount of this 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 and to maintain the Property in a habitable and safe condition. Upon any Event of Default, Lender may exercise any other right or remedy permitted under the Loan Agreement, this 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 Note.

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

12. **CONSENTS AND APPROVALS.** Any consent or approval of Lender required under this 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. Copies of all notices which are sent to Borrower under the terms of the Loan Documents shall also be sent to Borrower's Limited Partners at the address to be provided by Borrower.

14. **BINDING UPON SUCCESSORS.** All provisions of this 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 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 Note is intended to be severable. If any provision of this 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 Note.

18. **ATTORNEYS' FEES AND COSTS.** In the event any legal action is commenced to interpret or to enforce the terms of this 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 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 Note or applicable law. Any extension of time granted to Borrower to perform any obligation under this Note shall not operate as a waiver or release from any of its obligations under this Note.

20. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this 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 Note. The sole recourse of the Lender with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, nothing

contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the 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 Note 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 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 Note and the Loan Agreement conflict, the terms of the Loan Agreement shall control.

BORROWER:

Surf Development Company
a California non-profit public benefit corporation

By: _____
Name: Raymond F. Down
Title: President

AND

By: _____
Name:
Title:

EXHIBIT E

HOME REGULATORY AGREEMENT

NO FEE DOCUMENT

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

County of Santa Barbara
105 East Anapamu Street, Room 105
Santa Barbara, CA 93101
Attn: Grants Administration Division Chief

NO FEE DOCUMENT PURSUANT TO
GOVERNMENT CODE SECTION 27383

**HOME REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

This HOME Regulatory Agreement and Declaration of Restrictive Covenants (this “Agreement”) is made as of this ___ day of November, 2011 by and between the County of Santa Barbara, a political subdivision of the State of California (the “Lender”), and Surf Development Company, a California non-profit public benefit corporation, (the “Owner”).

RECITALS

A. The Owner owns a parcel of real property located at 5575 Armitos Avenue in the City of Goleta, California, as more particularly described in Exhibit A (the “Property”) upon which the Owner intends to construct four (4) units of in a congregate care home for low- income disabled residents (the “Development”).

B. The 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.

C. Owner has received a loan from Lender of HOME Funds in the amount of Two Hundred Thirty Five Thousand Dollars (\$235,000) to provide financing for the Development (the “HOME Loan”).

D. As further consideration for this funding and to further the interests of the Lender, the Owner has agreed to enter into and record this Agreement. The purpose of this Agreement is to regulate and restrict the occupancy, rents, operation, the ownership, and management of the Development. The covenants in this Agreement are intended to run with the land and be binding on the Owner and its successors and assigns in the Property.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the aforementioned funding, the Owner and the Lender hereby agree as follows:

1. DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in this Agreement or attached exhibits.

1.1 **“ANNUAL INCOME”** means the Section 8 Program definition of Annual (gross) Income as more particularly defined at 24 CFR 5.609.

1.2 **“HOME ASSISTED UNIT”** means any of the four (4) Units in the Development with restricted occupancy and rents pursuant to this Agreement which has been designated as an HOME Assisted Unit. A Unit shall not be considered an HOME Assisted Unit until the Unit has been constructed and made available for occupancy.

1.3 **“AREA MEDIAN INCOME”** means the median income for the Santa Barbara/Santa Maria/Goleta Primary Metropolitan Statistical Area, with adjustments for household size, as determined from time to time by the United States Department of Housing and Urban Development (“HUD”) pursuant to the United States Housing Act of 1937, as amended, or such other method of median income calculation applicable to the Lender that HUD may hereafter adopt in connection with said Act.

1.4 **“DEED OF TRUST”** means that certain deed of trust, placed on the Property as security for the HOME Loan with the Owner as trustor and the Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust.

1.5 **“DEVELOPMENT”** means the four (4) units of housing with appurtenant parking and site improvements on the Property to be constructed by the Owner on the Property according to the terms of the Loan Agreement.

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

1.7 **“HOME LOAN”** means the Loan of HOME made by the Lender to the Owner for the Development pursuant to the Loan Agreement and the HOME Note.

1.8 **“LOAN AGREEMENT”** is the Loan Agreement executed by and between the Owner and the Lender, setting forth the terms and conditions governing the HOME Loan and a separate loan of local In-Lieu Funds.

1.9 **“LOAN DOCUMENTS”** are collectively the Loan Agreement, the HOME Note evidencing the HOME Loan, the Deed of Trust securing the HOME Note, and this Agreement as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

1.10 “**HOME NOTE**” means the promissory note executed by the Owner in favor of the Lender evidencing the HOME Loan, which is secured by the Deed of Trust, as well as any amendments to, modifications of, or restatements of said promissory note.

1.11 “**OWNER**” means Surf Development Company, a California non-profit public benefit corporation.

1.12 “**PROPERTY**” means the real property described in Exhibit A attached hereto and incorporated herein, including the improvements constructed thereon pursuant to the Loan Agreement.

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

1.14 “**QUALIFYING RENT**” means the total charges for monthly rent, utilities, and related services which do not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income derived from data provided for the Santa Barbara/Santa Maria/Goleta Primary Metropolitan Statistical Area as determined by HUD annually with adjustments for household size.

1.15 “**TENANT**” means a household occupying a Unit.

1.16 “**TERM**” means the Thirty (30) year term of this Agreement during which the HOME Assisted Units must meet the affordability requirements imposed under the HOME Program, commencing when the project is closed in the Federal Integrated Disbursement Information System.

1.17 “**UNIT**” means a housing unit in the Development.

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

2. TERM AND COMPLIANCE

2.1 COMPLIANCE WITH LOAN DOCUMENTS. The Owner’s actions with respect to the Property and the use of funds from the HOME Loan shall at all times be in full conformity with all of the requirements of the Loan Documents, including but not limited to the insurance requirements contained therein.

2.2 TERM OF AGREEMENT. This Agreement shall commence upon execution and shall remain in full force and effect until Thirty (30) years following the date the project is closed out in the federal Integrated Disbursement and Information System. Lender shall notify Owner in writing at the start of the Term. The requirements of this Agreement shall apply throughout the Term without regard to the term of any loan or mortgage or any transfer of ownership of the Property.

2.3 **COMPLIANCE WITH PROGRAM REQUIREMENTS.** The Owner shall comply with all requirements imposed on projects assisted under the HOME program in effect on the date the HOME Loan is funded.

3. DEVELOPMENT OCCUPANCY AND RENTS

3.1 **OCCUPANCY OF DEVELOPMENT.** A total of four (4) Units in the Development shall be designated as HOME Assisted Units. The HOME Assisted Units must be occupied, or reserved for occupancy by, Qualifying Households.

3.2 **HOME ASSISTED UNITS.** The Owner shall limit for the full term of this Agreement the rental of four (4) HOME Assisted Units to Very Low-Income Households at rents that do not exceed the maximum rental charges for each HOME Assisted Unit as set forth in this Agreement.

3.3 **MAXIMUM RENTAL CHARGES.**

A. For a household occupying an HOME Assisted Unit, the total charges for monthly rent, utilities, and related services shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income as determined by HUD annually with adjustments for household size and allowances for utilities and services. Allowances for utilities and services shall be updated periodically in accordance with the Utility Allowance Schedule published annually by the Housing Authority of the County of Santa Barbara for the Lompoc Housing Market Area.

B. Maximum rents for each HOME Assisted Unit shall be set by the Lender at the time of initial occupancy of the Development. Annual rent increases shall be calculated based on the change in Area Median Income published annually by HUD. At least sixty (60) calendar days prior to increasing rents on any HOME Assisted Unit on the Project, Borrower shall submit to the Lender for review and approval a written request for such increase. Qualifying Households shall be given at least sixty (60) days written notice prior to any rent increase. If the proposed new rental rate does not exceed the Qualifying Rent for such year, Lender shall approve such request.

3.4 **INCOME CERTIFICATION.** The income levels and other qualifications of applicants for HOME Assisted Units shall be certified by Owner within sixty (60) business days of the household's expected occupancy of an HOME Assisted Unit and recertified annually thereafter by the Owner. If the household size of a household occupying an HOME Assisted Unit changes, the Owner may request additional information and documentation to determine eligibility.

A. Initial Income Verification. Before the household occupies an HOME Assisted Unit, the Owner shall verify that the income provided by an applicant or occupying household in an income certification is accurate by taking one or both of the following steps as a part of the verification process:

- (1) Third Party Verification: A third party (e.g., employer, Social Security Administration, or public assistance agency, etc.) is contacted to provide information to verify income.

Written requests and responses are generally preferred; however, conversations with a third party are acceptable if thoroughly documented in writing.

- (2) Review of Documents: The household provides documents verifying their income (e.g., pay stubs, tax returns, etc.). These documents must then be retained in the project files.

B. Annual Income Recertification. At the time of lease renewal or pursuant to an annual schedule adopted by the Owner, and no later than the anniversary of the original income evaluation and annually thereafter, Owner shall recertify the household income of each household occupying an HOME Assisted Unit using the method as described in Section 3.4 A above.

3.5 **INCREASES IN TENANT INCOMES.** In the event that recertification of a household occupying an HOME Assisted Unit, or changes to the composition of a household occupying an HOME Assisted Unit indicates that the household's income exceeds the maximum designated income for a Very Low-Income Household, the Owner may increase rents on such Unit only to the extent that such increase is permitted by applicable HUD regulations and in no event shall rent be increased to more than 30% of 1/12 of the household's income.

4. LEASING THE DEVELOPMENT.

4.1 **TENANT LEASES.** The Owner shall execute a written lease with tenants of HOME Assisted units for a term of at least one year, unless the Owner and the tenant mutually agree to a shorter period. A lease may not be for a period less than thirty (30) days. The tenant lease and any changes thereto must be approved by Lender.

A. The Owner shall include in leases for all HOME Assisted Units provisions which provide that the household is subject to annual certification of income and that the tenancy of the household shall be immediately terminated should one or more of the household's members misrepresent any material fact regarding the household's qualification as a Very Low-Income Household. The Owner shall include in all leases for HOME Assisted Units provisions which prohibit the household from subleasing the HOME Assisted Unit.

B. In addition to executing a lease for an HOME Assisted Unit, the Owner shall require that each household leasing an HOME Assisted Unit execute a declaration of intent to occupy which shall require the household to occupy the HOME Assisted Unit as the household's primary residence.

C. The lease for each HOME Assisted Unit shall not contain any the prohibited provisions identified at 24 CFR §92.253(b) including the following:

1. *Agreement to be sued.* Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;
2. *Treatment of property.* Agreement by the tenant that the owner may take, hold or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the

- housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with State law;
3. *Excusing owner from responsibility.* Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
 4. *Waiver of notice.* Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;
 5. *Waiver of legal proceedings.* Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
 6. *Waiver of a jury trial.* Agreement by the tenant to waive any right to a trial by jury;
 7. *Waiver of right to appeal court decision.* Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
 8. *Tenant chargeable with cost of legal actions regardless of outcome.* Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

D. Owner shall not terminate the tenancy or refuse to renew the lease of a tenant of an HOME Assisted Unit except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; or for other good cause. To terminate or refuse to renew the tenancy, the owner shall serve written notice upon the tenant specifying the grounds for the action at lease thirty (30) days prior to termination of tenancy.

4.2 **TENANT SELECTION.** Before leasing the Development, the Owner must provide Lender for its review and approval the Owner's written tenant selection plan.

4.3 **SECTION 8 CERTIFICATE HOLDERS.** The Owner will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that is more burdensome than criteria applied to all other prospective tenants, nor shall the Owner apply or permit the application of management policies or lease provisions with respect to the Development which have the effect of precluding occupancy of units by such prospective tenants.

4.4 **CONDOMINIUM CONVERSION.** The Owner shall not convert Units to condominium or cooperative ownership or sell condominium or cooperative conversion rights in the Property during the term of this Agreement.

4.5 **NONDISCRIMINATION.** The Owner shall not discriminate or segregate in the use, enjoyment, occupancy, conveyance, lease, sublease, or rental of Units on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS)

or AIDS-related conditions (ARC), or any other arbitrary basis. The Owner shall include a statement in all advertisements, notices and signs for the availability of Units for rent to the effect that the Owner is an Equal Housing Opportunity Provider.

4.6 **MARKETING PLAN.** Prior to occupancy, Owner shall submit to the Lender for approval its plan for marketing the rental units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender's affirmative fair marketing guidelines. Upon receipt of the marketing plan, the Lender shall promptly review the Marketing Plan and shall approve or disapprove it within thirty (30) days after submission. If the Marketing Plan is not approved, Lender shall specify its reasons for disapproval. The Owner shall submit a revised Marketing Plan within thirty (30) days of Lender's notice of disapproval. If the Lender does not approve the revised Marketing Plan, the Owner shall be in default under the terms of the Loan Agreement.

5. PROPERTY MANAGEMENT

5.1 **MANAGEMENT RESPONSIBILITIES.** The Owner is responsible for all management functions with respect to the Development, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The Lender shall have no responsibility over management of the Development. The Owner shall submit to the Lender for its approval its proposed property manager. The Owner may only remove and/or replace the property manager with the prior written consent of the Lender which consent shall not be unreasonably withheld.

5.2 **APPROVAL OF MANAGEMENT POLICIES.** The Owner shall submit its written management policies with respect to the Development to the Lender for its review, and shall amend such policies in any way necessary to insure that such policies comply with the provisions of this Agreement, the requirements of the existing housing program under Section 8 of the United States Housing Act, or its successors, and the requirements of all lenders providing financing for the Development.

5.3 **INSPECTION AND RECORDS.** The Owner shall maintain records which clearly document the Owner's performance of its obligations to operate the Property under the terms of this Agreement. The Owner shall submit any records to the Lender within ten (10) business days of the Lender's request. The Owner shall permit the Lender to enter and inspect the Development for compliance with obligations under this Agreement upon twenty-four (24) hours advance notice of such visit by the Lender to the Owner or the Owner's management agent and to tenants of any Units.

5.4 **COMPLIANCE MONITORING.** The Owner shall operate the property in full compliance with this Agreement and the HOME Program Regulations at 24 CFR Part 92 in effect on the date the HOME Loan is funded, and shall remain in compliance therewith throughout the term of this Agreement. The Owner shall permit the Lender to conduct annual compliance monitoring, including performing on-site records review and property inspections, as required by regulation or reasonably requested by County.

5.5 **ANNUAL REPORT.** The Owner shall submit to the Lender a report in a form approved by Lender for the preceding period of January 1st through December 31st, containing

the information requested by Lender so as to allow the Lender to determine the Owner's compliance with this Agreement. The report shall be submitted annually no later than March 1st, and shall include, at a minimum, (i) a statement of the fiscal condition, including audited financial statements for the preceding year, (ii) occupancy of the project, (iii) a statement of the physical condition, (iv) general management performance, (v) for each Unit, the Rent, income, and household size of the household occupying the Unit. The report shall also state the date the tenancy commenced for each rental Unit and such other information as the Agency may be request.

Within thirty (30) days after receipt of a written request, Owner shall submit any other information or completed forms requested by the Lender in order to comply with reporting requirements of the United States Department of Housing and Urban Development, or the State of California, or the Lender. The Lender shall have the right to examine and make copies of all books, records or other documents of Owner which pertain to the Project or any Unit to determine compliance with this Agreement.

5.6 FEES, TAXES, AND OTHER LEVIES. The Owner 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, and shall pay such charges prior to delinquency.

5.7 PROPERTY TAX EXEMPTION. The Owner shall not apply for a property tax exemption for the Property under any provision of law other than Revenue and Taxation Code Section 214(g) without the Lender's prior written consent.

6. GENERAL PROVISIONS

6.1 SUBORDINATION. This Agreement shall be subordinated in priority only as provided in the Loan Agreement or to liens and encumbrances otherwise approved in writing by the Lender in its sole and absolute discretion.

6.2 DEFAULT AND REMEDIES In the event of any breach of any agreement or obligation under this Agreement by the Owner, the Lender shall provide written notice to the Owner of such breach. The Owner shall have an opportunity to cure such breach within thirty (30) days from the Owner's receipt of such written notice or such longer period of time as the Lender determines is necessary to cure the breach if the Owner diligently undertakes to cure such breach. If the Owner fails to perform a timely cure of the specified breach, the Lender may proceed with any or all of the following remedies upon the Owner's failure to cure:

A. Bring an action in equitable relief seeking the specific performance by the Owner of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;

B. Enter upon, take possession of, and manage the Property and the Development, either in person, by agent, or by a receiver appointed by a court, and collect any rents, income, deposits, or reserves and apply them to operate the Property;

C. After notice provided for herein, make such repairs or replacements to the Property and Development as are necessary and provide for payment thereof; or

D. Pursue any other remedy provided under the Loan Agreement or allowed at law or in equity.

6.3 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. No officers, directors, employees and agents of the Lender shall be personally liable to the Owner for any obligation created under the terms of this Agreement.

6.4 INDEMNITY. Borrower shall comply with the insurance and indemnification provisions set forth in Exhibit B and incorporated herein by this reference.

6.5 GOVERNING LAW. This Agreement shall be interpreted under and be 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.

6.6 AGREEMENT CONTROLS. In the event that any provisions of this Agreement and any Loan Document conflict, the terms of this Agreement shall control.

6.7 TIME. Time is of the essence in this Agreement.

6.8 CONSENTS AND APPROVALS. Any consent or approval of the Lender required under this Agreement shall not be unreasonably withheld. Any approval must be in writing and executed by an authorized representative of the Lender.

6.9 NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications between the Owner and the 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 the Owner and the Lender as follows:

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

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

Owner: Surf Development Company
815 West Ocean Avenue
Lompoc, CA 93436
Attn: Board President

6.10 **BINDING UPON SUCCESSORS.** This Agreement shall be recorded and all provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferee, and assigns of the Owner, and the Lender, and shall run with the land for the full term of this Agreement, regardless of any assignment, payment, prepayment, expiration, extinguishment of the HOME Loan or HOME Note, any reconveyance of the Deed of Trust, or any conveyance or transfer of the Property or portion thereof.

6.11 **RELATIONSHIP OF PARTIES.** The relationship of the Owner and the Lender during the term of this Agreement is solely that of lender and borrower shall not be construed as a joint venture, equity venture, or partnership.

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

6.13 **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Agreement must be in writing, and shall be made only if executed by both the Owner and the Lender.

6.14 **SEVERABILITY.** Every provision of this Agreement is intended to be severable. If any provision of this 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, Lender and Owner have caused this Agreement to be executed by their respective duly authorized officer.

APPROVED AS TO FORM:
DENNIS A. MARSHALL
COUNTY COUNSEL

LENDER:
County of Santa Barbara
a political subdivision of the State of California

By: _____
Mary L. McMaster
Deputy County Counsel

By: _____
Joni Gray
Chair of the Board of Supervisors
(Signature must be notarized)

**APPROVED AS TO FORM
RISK MANAGEMENT**

By: _____
Ray Aromatorio
Risk Manager

OWNER:

**Surf Development Company, a California non-
profit public benefit corporation**

By: _____
Name: Raymond F. Down
Title: President
(Signature must be notarized)

AND

APPROVED AS TO

**ACCOUNTING FORM:
ROBERT W. GEIS
AUDITOR-CONTROLLER**

By: _____
Juan Izquierdo
Division Chief

By: _____
Name:
Title:
(Signature must be notarized)

State of California
County of Santa Barbara

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

Legal Description of the Property

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF GOLETA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Parcel 2 of Parcel Map No. 32,028 in the City of Goleta, County of Santa Barbara, State of California, as shown on the map filed in Book 62, Pages 56 and 57 of Parcel Maps in the office of the County Recorder of said County.

APN: 071-090-087

Dated: October 26, 2011

EXHIBIT B

INSURANCE REQUIREMENTS

EXHIBIT B

STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS

INDEMNIFICATION

CONTRACTOR shall defend, indemnify and save harmless the COUNTY, its officers, agents and employees from any and all claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities arising out of this Agreement or occasioned by the performance or attempted performance of the provisions hereof; including, but not limited to, any act or omission to act on the part of the CONTRACTOR or his agents or employees or other independent contractors directly responsible to him; except those claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities resulting from the sole negligence or willful misconduct of the COUNTY.

CONTRACTOR shall notify the COUNTY immediately in the event of any accident or injury arising out of or in connection with this Agreement.

INSURANCE

Without limiting the CONTRACTOR's indemnification of the COUNTY, CONTRACTOR shall procure the following required insurance coverages at its sole cost and expense. All insurance coverages are to be placed with insurers which (1) have a Best's rating of no less than A: VII, and (2) are admitted insurance companies in the State of California. All other insurers require the prior approval of the COUNTY. Such insurance coverage shall be maintained during the term of this Agreement. Failure to comply with the insurance requirements shall place CONTRACTOR in default. Upon request by the COUNTY, CONTRACTOR shall provide a certified copy of any insurance policy to the COUNTY within ten (10) working days.

1. **Workers' Compensation Insurance:** Statutory Workers' Compensation and Employers Liability Insurance shall cover all CONTRACTOR'S staff while performing any work incidental to the performance of this Agreement. The policy shall provide that no cancellation, or expiration or reduction of coverage shall be effective or occur until at least thirty (30) days after receipt of such notice by the COUNTY. In the event CONTRACTOR is self-insured, it shall furnish a copy of Certificate of Consent to Self-Insure issued by the Department of Industrial Relations for the State of California. This provision does not apply if CONTRACTOR has no employees as defined in Labor Code Section 3350 et seq. during the entire period of this Agreement and CONTRACTOR submits a written statement to the COUNTY stating that fact.
2. **General and Automobile Liability Insurance:** The general liability insurance shall include bodily injury, property damage and personal injury liability coverage, shall afford coverage for all premises, operations, products and completed operations of CONTRACTOR and shall include contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the CONTRACTOR in the indemnity and hold harmless provisions [above] of the Indemnification Section of this Agreement between COUNTY and CONTRACTOR. The automobile liability insurance shall cover all owned, non-owned and hired motor vehicles that are operated on behalf of CONTRACTOR pursuant to CONTRACTOR's activities hereunder. CONTRACTORS shall require all subcontractors to be included under its policies or furnish separate certificates and endorsements to meet the standards of these provisions by each subcontractor. COUNTY, its officers, agents, and employees shall be Additional Insured status on any policy. A cross liability clause, or equivalent wording, stating that coverage will apply separately to each named or additional insured as if separate policies had been issued to each shall be included in the policies. A copy of the endorsement evidencing that the policy has been changed to reflect the Additional Insured status must be attached to the certificate of insurance. The limit of liability of said policy or policies for general liability insurance shall not be less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. The automobile liability policy

shall have a combined single limit of not less than one million dollars (\$1,000,000) for bodily injury and property damage, per occurrence. Any deductible or Self-Insured Retention {SIR} over \$10,000 requires approval by the COUNTY.

Said policy or policies shall include a severability of interest or cross liability clause or equivalent wording. Said policy or policies shall contain a provision of the following form:

"Such insurance as is afforded by this policy shall be primary and non-contributory to the full limits stated in the declarations, and if the COUNTY has other valid and collectible insurance for a loss covered by this policy, that other insurance shall be excess only."

If the policy providing liability coverage is on a 'claims-made' form, the CONTRACTOR is required to maintain such coverage for a minimum of three years following completion of the performance or attempted performance of the provisions of this agreement. Said policy or policies shall provide that the COUNTY shall be given thirty (30) days written notice prior to cancellation or expiration of the policy or reduction in coverage.

3. **Property Insurance:** Throughout the term of this Agreement, CONTRACTOR, at its own cost and expense, shall insure against loss of or damage to all improvements on the PROPERTY, equipment and fixtures thereon resulting from fire, lightning, vandalism, malicious mischief, those risks ordinarily defined as "all risk coverage" and in addition thereto for loss or damage resulting from flood surface water, waves, tidal water or tidal waves, overflow of streams or other bodies of water or spray from any of the foregoing, all whether driven by wind or not and including, but not limited to, water which backs up through sewers or drains or water below the ground which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basement or other floors or through doors, windows or any other openings in such sidewalks, driveways, foundations, walls or floors. CONTRACTOR'S obligation to obtain flood, wave, tidal wave and earthquake casualty coverage shall be conditioned upon such coverage being readily available at commercially reasonable rates for commercially reasonable amounts of coverage. Such insurance shall be in amount equal to 100% of the full replacement cost improvements on the PROPERTY, other related equipment and fixtures and shall be placed and maintained with one insurance company or companies which is or are acceptable to COUNTY. Such insurance shall be modified periodically to ensure that, at all times, the limits of said policies are large enough to provide coverage for one hundred percent (100%) of the replacement costs of all equipment and improvements on the PROPERTY. COUNTY may require that CONTRACTOR submit to it at the commencement of each third calendar year during the term hereof, an appraisal of the replacement value of the improvements on the Site so that COUNTY can determine whether the insurance coverage is sufficient. Certificates of insurance evidencing such insurance coverage as modified shall be promptly filed with COUNTY. All such insurance policies, along with their endorsements, shall name COUNTY as a loss payee.
4. **Builder's Risk Insurance:** During the course of construction, the CONTRACTOR shall secure insurance that will include protection against direct physical loss or damage, including fire and theft, in an amount sufficient to cover replacement value of all improvements.

CONTRACTOR shall submit to the office of the designated COUNTY representative certificate(s) of insurance documenting the required insurance as specified above prior to this Agreement becoming effective. COUNTY shall maintain current certificate(s) of insurance at all times in the office of the designated County representative as a condition precedent to any payment under this Agreement. Approval of insurance by COUNTY or acceptance of the certificate of insurance by COUNTY shall not relieve or decrease the extent to which the CONTRACTOR may be held responsible for payment of damages resulting from CONTRACTOR'S services of operation pursuant to the contract, nor shall it be deemed a waiver of COUNTY'S rights to insurance coverage hereunder.

In the event the CONTRACTOR is not able to comply with the COUNTY'S insurance requirements, COUNTY may, at their sole discretion and at the CONTRACTOR'S expense, provide compliant coverage.

The above insurance requirements are subject to periodic review by the COUNTY. The COUNTY'S Risk Manager is authorized to change the above insurance requirements, with the concurrence of County Counsel, to include additional types of insurance coverage or higher coverage limits, provided that such change is reasonable based on changed risk of loss or in light of past claims against the COUNTY or inflation. This option may be exercised during any amendment of this Agreement that results in an increase in the nature of COUNTY'S risk and such change of provisions will be in effect for the term of the amended Agreement. Such change pertaining to types of insurance coverage or higher coverage limits must be made by written amendment to this Agreement. CONTRACTOR agrees to execute any such amendment within thirty (30) days of acceptance of the amendment or modification.

EXHIBIT F
INSURANCE REQUIREMENTS

EXHIBIT F

STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS

INDEMNIFICATION

CONTRACTOR shall defend, indemnify and save harmless the COUNTY, its officers, agents and employees from any and all claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities arising out of this Agreement or occasioned by the performance or attempted performance of the provisions hereof; including, but not limited to, any act or omission to act on the part of the CONTRACTOR or his agents or employees or other independent contractors directly responsible to him; except those claims, demands, damages, costs, expenses (including attorney's fees), judgments or liabilities resulting from the sole negligence or willful misconduct of the COUNTY.

CONTRACTOR shall notify the COUNTY immediately in the event of any accident or injury arising out of or in connection with this Agreement.

INSURANCE

Without limiting the CONTRACTOR's indemnification of the COUNTY, CONTRACTOR shall procure the following required insurance coverages at its sole cost and expense. All insurance coverages are to be placed with insurers which (1) have a Best's rating of no less than A: VII, and (2) are admitted insurance companies in the State of California. All other insurers require the prior approval of the COUNTY. Such insurance coverage shall be maintained during the term of this Agreement. Failure to comply with the insurance requirements shall place CONTRACTOR in default. Upon request by the COUNTY, CONTRACTOR shall provide a certified copy of any insurance policy to the COUNTY within ten (10) working days.

1. **Workers' Compensation Insurance:** Statutory Workers' Compensation and Employers Liability Insurance shall cover all CONTRACTOR'S staff while performing any work incidental to the performance of this Agreement. The policy shall provide that no cancellation, or expiration or reduction of coverage shall be effective or occur until at least thirty (30) days after receipt of such notice by the COUNTY. In the event CONTRACTOR is self-insured, it shall furnish a copy of Certificate of Consent to Self-Insure issued by the Department of Industrial Relations for the State of California. This provision does not apply if CONTRACTOR has no employees as defined in Labor Code Section 3350 et seq. during the entire period of this Agreement and CONTRACTOR submits a written statement to the COUNTY stating that fact.
2. **General and Automobile Liability Insurance:** The general liability insurance shall include bodily injury, property damage and personal injury liability coverage, shall afford coverage for all premises, operations, products and completed operations of CONTRACTOR and shall include contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the CONTRACTOR in the indemnity and hold harmless provisions [above] of the Indemnification Section of this Agreement between COUNTY and CONTRACTOR. The automobile liability insurance shall cover all owned, non-owned and hired motor vehicles that are operated on behalf of CONTRACTOR pursuant to CONTRACTOR's activities hereunder. CONTRACTORS shall require all subcontractors to be included under its policies or furnish separate certificates and endorsements to meet the standards of these provisions by each subcontractor. COUNTY, its officers, agents, and employees shall be Additional Insured status on any policy. A cross liability clause, or equivalent wording, stating that coverage will apply separately to each named or additional insured as if separate policies had been issued to each shall be included in the policies. A copy of the endorsement evidencing that the policy has been changed to reflect the Additional Insured status must be attached to the certificate of insurance. The limit of liability of said policy or policies for general liability insurance shall not be less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. The automobile liability policy

shall have a combined single limit of not less than one million dollars (\$1,000,000) for bodily injury and property damage, per occurrence. Any deductible or Self-Insured Retention {SIR} over \$10,000 requires approval by the COUNTY.

Said policy or policies shall include a severability of interest or cross liability clause or equivalent wording. Said policy or policies shall contain a provision of the following form:

"Such insurance as is afforded by this policy shall be primary and non-contributory to the full limits stated in the declarations, and if the COUNTY has other valid and collectible insurance for a loss covered by this policy, that other insurance shall be excess only."

If the policy providing liability coverage is on a 'claims-made' form, the CONTRACTOR is required to maintain such coverage for a minimum of three years following completion of the performance or attempted performance of the provisions of this agreement. Said policy or policies shall provide that the COUNTY shall be given thirty (30) days written notice prior to cancellation or expiration of the policy or reduction in coverage.

3. **Property Insurance:** Throughout the term of this Agreement, CONTRACTOR, at its own cost and expense, shall insure against loss of or damage to all improvements on the PROPERTY, equipment and fixtures thereon resulting from fire, lightning, vandalism, malicious mischief, those risks ordinarily defined as "all risk coverage" and in addition thereto for loss or damage resulting from flood surface water, waves, tidal water or tidal waves, overflow of streams or other bodies of water or spray from any of the foregoing, all whether driven by wind or not and including, but not limited to, water which backs up through sewers or drains or water below the ground which exerts pressure on or flows, seeps or leaks through sidewalks, driveways, foundations, walls, basement or other floors or through doors, windows or any other openings in such sidewalks, driveways, foundations, walls or floors. CONTRACTOR'S obligation to obtain flood, wave, tidal wave and earthquake casualty coverage shall be conditioned upon such coverage being readily available at commercially reasonable rates for commercially reasonable amounts of coverage. Such insurance shall be in amount equal to 100% of the full replacement cost improvements on the PROPERTY, other related equipment and fixtures and shall be placed and maintained with one insurance company or companies which is or are acceptable to COUNTY. Such insurance shall be modified periodically to ensure that, at all times, the limits of said policies are large enough to provide coverage for one hundred percent (100%) of the replacement costs of all equipment and improvements on the PROPERTY. COUNTY may require that CONTRACTOR submit to it at the commencement of each third calendar year during the term hereof, an appraisal of the replacement value of the improvements on the Site so that COUNTY can determine whether the insurance coverage is sufficient. Certificates of insurance evidencing such insurance coverage as modified shall be promptly filed with COUNTY. All such insurance policies, along with their endorsements, shall name COUNTY as a loss payee.
4. **Builder's Risk Insurance:** During the course of construction, the CONTRACTOR shall secure insurance that will include protection against direct physical loss or damage, including fire and theft, in an amount sufficient to cover replacement value of all improvements.

CONTRACTOR shall submit to the office of the designated COUNTY representative certificate(s) of insurance documenting the required insurance as specified above prior to this Agreement becoming effective. COUNTY shall maintain current certificate(s) of insurance at all times in the office of the designated County representative as a condition precedent to any payment under this Agreement. Approval of insurance by COUNTY or acceptance of the certificate of insurance by COUNTY shall not relieve or decrease the extent to which the CONTRACTOR may be held responsible for payment of damages resulting from CONTRACTOR'S services of operation pursuant to the contract, nor shall it be deemed a waiver of COUNTY'S rights to insurance coverage hereunder.

In the event the CONTRACTOR is not able to comply with the COUNTY'S insurance requirements, COUNTY may, at their sole discretion and at the CONTRACTOR'S expense, provide compliant coverage.

The above insurance requirements are subject to periodic review by the COUNTY. The COUNTY'S Risk Manager is authorized to change the above insurance requirements, with the concurrence of County Counsel, to include additional types of insurance coverage or higher coverage limits, provided that such change is reasonable based on changed risk of loss or in light of past claims against the COUNTY or inflation. This option may be exercised during any amendment of this Agreement that results in an increase in the nature of COUNTY'S risk and such change of provisions will be in effect for the term of the amended Agreement. Such change pertaining to types of insurance coverage or higher coverage limits must be made by written amendment to this Agreement. CONTRACTOR agrees to execute any such amendment within thirty (30) days of acceptance of the amendment or modification.

EXHIBITG
MANAGEMENT PLAN

MANAGEMENT PLAN

PROJECT: BRADDOCK HOUSE, 5575 Armitos Way, Goleta, CA 93117

OWNER: SURF Development Company

MANAGING AGENT: Housing Authority of the County of Santa Barbara (Agent)

Management of Braddock House will be guided by consistent policies and procedures that serve to ensure the project's physical and fiscal integrity and soundness.

ON-SITE AND INDIRECT MANAGEMENT

Indirect management will be provided out of Agent office in Goleta, California. These managerial services are more specifically detailed in this Management Plan.

Agent will also provide direct, on-site management by employing a management staff member who will reside on the property.

Management staff, including their duties and responsibilities, are identified and discussed in greater detail under the various sections of this plan. Management positions and project expense relationships are presented as part of the Project's Operating Budget.

The Goleta Area Housing Manager and Area Maintenance Manager are responsible for making and carrying out the daily decisions necessary to provide the project with the management services identified in this plan.

Typical activities are as follows:

INITIAL RENT-UP AND CONTINUED OCCUPANCY

- Marketing
- Publications, as required
- Tenant Screening and Selection
- Tenant Eligibility Certification and Recertification
- Tenant Orientation
- Rental Agreements
- Move-In and Move-Out Inspections

RENT COLLECTION

- 1) Agent will collect all rents and service charges. Residents may pay rent by mail or direct payment at Agent-designated locations. All rents will be due and payable on the first day of each month. Residents will have five days to make rent payments, after which time the Goleta Area Housing Manager will initiate appropriate delinquency procedures. As necessary, residents will be contacted in person regarding payment of delinquent accounts. A \$10.00 late charge will be assessed for delinquent rents and a \$25.00 charge or current bank charge (whichever is higher) for returned checks.
- 2) Agent will collect and disburse resident security deposits in accordance with current procedures.

MAINTENANCE

Maintenance employees will perform all property maintenance. Maintenance personnel will schedule time on a weekly basis to perform maintenance as required. The Goleta Area Maintenance Manager is responsible for the following maintenance-related activities:

- 1) Recommending personnel administration actions relating to Maintenance employees.
- 2) Supervision and training of Maintenance employees.
- 3) Monitoring of service order requests for efficient and timely processing.

Availability and response to emergency maintenance requests are routine duties of maintenance employees. However, in those instances where extraordinary repairs are required or when maintenance employees are unavailable, Agent will execute "stand-by" contracts with licensed contractors for completion of such repairs. Agent will follow its procurement policies and procedures in contracting for such work.

TENANT RELATIONS AND SERVICES

Agent will maintain good-faith communication with the tenants so that problems may be avoided or solved on the basis of mutual self-interest. Grievances will be heard in accordance with Agent's established grievance procedures for its public housing program. Agent will counsel tenants and make referrals to available community social service agencies in cases of financial hardship or under similar circumstances to avoid involuntary termination of tenancies.

AFFIRMATIVE FAIR MARKETING HOUSING PLAN

As a Public Housing Agency, Agent is acutely aware of the need to Affirmatively Fair Market the project's units. Agent will make outreach efforts through various community organizations and newspapers. Statistical reports will be reviewed on a regular basis to target outreach to specific groups where representation is weakest.

An Outreach Program will be maintained to ensure that public notices and other information about the availability and nature of the housing will reach qualified individuals with handicaps, and organizations serving such individuals. The outreach will include, but not be limited to:

- The advertisement of the availability of accessible units in local newspapers;
- Regular notices to organizations serving handicapped individuals;
- Public posting of information about the availability of accessible units;
- Individual counseling to assist applicants being placed in suitable, accessible units; and
- All advertisements, brochures, etc., will feature Equal Opportunity and Fair Housing logos and information.

GENERAL ADMINISTRATION AND MANAGEMENT

Agent has various standard operating procedures and policies in place that it follows in the normal course of all its business operations. Where relevant and appropriate, these procedures and policies will be followed in the general administration and management of project operations.