

**Attachment A**

**REVISED AND RESTATED  
LOAN AGREEMENT  
(\$1,806,188)**

**Between**

**County of Santa Barbara**

**and**

**Ted Zenich Gardens, LP**



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Exhibit A	Legal Description
Exhibit B	Project Budget
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**REVISED AND RESTATED LOAN AGREEMENT  
(TED ZENICH GARDENS APARTMENTS)**

This Revised and Restated Loan Agreement ("Loan Agreement") is made as of this \_\_\_\_\_ day of June, 2008, by and between the County of Santa Barbara, a political subdivision of the State of California (hereinafter referred to as the "Lender"), and Ted Zenich Gardens, L.P., a California limited partnership, (hereinafter referred to as the "Borrower").

**RECITALS**

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

B. Borrower has acquired a property upon which twenty-four units of multi-family affordable housing has been constructed. The property is located at 1034 East Chapel Street in the City of Santa Maria, which is located in Santa Barbara County, California, as more particularly described in Exhibit A attached hereto and incorporated by this reference (the "Property").

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

D. Borrower has previously been lent by Lender a loan in the amount of One Million Four Hundred Fifty-Six Thousand One Hundred Eighty-Eight Dollars (\$1,456,188) to pay for certain land acquisition and development costs (the "Prior Loan"), the terms of which were set forth in that certain loan agreement in the amount of One Million Four Hundred Fifty-Six Thousand One Hundred Eighty-Eight Dollars (\$1,456,188) dated as of January 31, 2007 ("Prior Loan Agreement").

E. As the project has been constructed effective March, 2008 and Borrower now wishes to acquire permanent financing, to assist Borrower in this regard, the County now wishes to commit additional HOME funding in the amount of Three Hundred Fifty Thousand Dollars (\$350,000) to the project.

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 reasonably acceptable to Lender, which shall form the basis for determining the Residual Receipts.

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

1.3 **"BORROWER"** is Ted Zenich Gardens, L.P., a California limited partnership and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

1.4 **"BUDGET"** means that budget for acquisition of the Property and certain development and financing costs of the Project attached as Exhibit B, which is hereby incorporated into this Loan Agreement by this reference and which governs allowable uses of the Loan proceeds.

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

1.6 **"DEED OF TRUST"** is that certain revised and restated deed of trust, assignment of rents, and security agreement placed on the Property and the improvements to be constructed thereon as security for the 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 have been incorporated into this Loan Agreement.

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

1.8 **"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.

1.9 **"HOME FUNDS"** means funds provided by the Lender from the HOME Investment Partnership Program, as stated in 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92.

1.10 **"HUD"** means the United States Department of Housing and Urban Development.

1.11 **"IMPROVEMENTS"** means any improvements and development of the Property.

1.12 **"INSURANCE REQUIREMENTS"** means the insurance coverage which must be in full force and effect during the term of the Regulatory Agreement, as specified in Exhibit E.

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

1.14 **"LOAN"** means the loan of funds in the total amount of One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188) from the Lender to the Borrower as provided in this Loan Agreement to provide permanent financing for the Project. The Loan includes both the loan under the Prior Loan Agreement that is being superseded and replaced herein and the additional Three Hundred and Fifty Thousand Dollars (\$350,000) being committed herein.

1.15 **"LOAN AGREEMENT"** means this revised and restated loan agreement entered into between Lender and Borrower.

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

1.17 **"MANAGEMENT PLAN"** means Borrower's plan for the operation of the Project and is attached hereto as Exhibit H and incorporated by reference.

1.18 **"MARKETING PLAN"** means the Borrower's plan for affirmatively market the Project according to HUD guidance and is attached as Exhibit I and incorporated by reference.

1.19 **"MEDIAN INCOME"** means the median income for Santa Barbara/ Santa Maria / Lompoc Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

1.20 **"NOTE"** means the revised and restated promissory note executed by the Borrower in favor of Lender in the amount of One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188) to evidence the Loan as well as any amendments to, modifications of, or restatements of said promissory note, substantially in the form attached hereto as Exhibit D.

1.21 **"NOTICE OF COMPLETION"** shall mean the notice that shall be filed by the Borrower with the Santa Barbara County Recorder at completion of construction. Borrower shall not unreasonably delay filing the Notice of Completion.

1.22 **"OPERATING EXPENSES"** shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including without limitation painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under senior loans. Operating Expenses may include the payment to Borrower of a reasonable partnership management fee and a reasonable asset management fee. Operating Expenses may also include a deferred developer fee so long as the total amount of developer fees over the life of the project does not exceed One Million Two Hundred Fifty Thousand Dollars (\$1,250,000). The Operating Expenses shall be reported in the Annual Financial Statement.

1.23 **"PAYMENT DATE"** shall mean April 1, 2009 for the first payment and April 1st for each year thereafter until the loan is paid in full or otherwise terminated.

1.24 **"PRIOR LOAN"** shall mean the prior loan in the amount of One Million Four Hundred Fifty-Six Thousand One Hundred Eighty-Eight Dollars (\$1,456,188) from the Lender for the acquisition and development of the Property.

1.25 **"PRIOR LOAN AGREEMENT"** shall mean that certain loan agreement regarding the Prior Loan executed as of January 31, 2007. The principal of the Prior Loan in the amount of One Million Four Hundred Fifty-Six Thousand One Hundred Eighty-Eight Dollars (\$1,456,188) shall be consolidated into this Loan. The Prior Loan Agreement shall be replaced and superseded in its entirety by this Loan Agreement.

1.26 **"PROJECT"** means the operation and management of the Property according to the terms of this Loan Agreement.

1.27 **"PROPERTY"** is located at 1034 East Chapel Street, in the City of Santa Maria, which is located in Santa Barbara County, California, as more particularly described in Exhibit A, which is incorporated into this Loan Agreement by this reference.

1.28 **"QUALIFYING HOUSEHOLD"** means a household that qualifies as a Very Low Income Household.

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

1.30 **"REGULATORY AGREEMENT"** means the regulatory agreement executed by Borrower and Lender, attached as Exhibit F, and recorded against the Property in the Official Records of Santa Barbara County on February 15, 2007 as Instrument Number 2007-0011375 which regulates the use of certain units in the Project.

1.31 **"RESIDUAL RECEIPTS"** means for any calendar year Revenues reduced by Operating Expenses.

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

1.33 **"SCOPE OF WORK"** means the work items directly related to certain development costs of the Project approved by Lender as well as any change orders approved by Lender; as set forth in Exhibit G.

1.34 **"VERY LOW INCOME HOUSEHOLD"** means a household whose annual income does not exceed fifty percent (50%) of the 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 One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188) and shall be evidenced by the Note.

2.3 **INTEREST.** Subject to the provisions of Section 2.4, the Note shall bear interest at a rate of five percent (5%) from the date on which the principal amount of the Loan is initially advanced to Borrower through the fifty-five (55) year amortizing loan term.

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 is repaid in full.

2.5 **TERM OF LOAN.** The principal of the Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of the Note, or (b) the date the Property is sold. 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 **HOME PROGRAM FUNDS.** Any and all repayment or prepayment of Loan is paid to Home Program Fund and will be invested in future projects in accordance with Federal Rules and Regulations regarding the HOME Program.

2.7 **USE OF FUNDS.** Loan proceeds shall be used only for those costs as specified in the Budget.

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.

2.9 **REPAYMENT OF THE LOAN.** Borrower shall make annual payments on the Loan from Residual Receipts. On or before each Payment Date the Borrower shall submit its Annual Financial Statement to Lender for the preceding calendar year together with an amount equal one hundred percent (100%) of 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 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. Any payments made by Borrower pursuant to this Section shall be applied first to pay current annual interest due, if any, then the cumulative interest owed, if any, then to reduce the principal amount of the 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.

Once the amount of Residual Receipts has been finally determined as set forth above, the Lender shall deposit all funds received under this Agreement in conformity with its HOME Consortium Agreement. Payment of Residual receipts shall be divided on a pro-rata basis between Santa Barbara County and the City of Santa Maria, with the City of Santa Maria receiving fifty-seven percent (57%) of the Residual Receipts, and Santa Barbara County receiving forty-three percent (43%), based on each jurisdictions' financial HOME contribution to the project.

**2.10 PREPAYMENT OF LOAN.** No prepayment penalty will be charged to Borrower for payment of all or any portion of the Loan amount prior to the end of the term described herein. However, prepayment of the Loan shall not affect Borrower's obligations under the Regulatory Agreement.

**2.11 OPERATING BUDGET.** Thirty (30) days prior to end of the calendar year, Borrower shall submit to Lender, for Lender's approval, a proposed operating budget for the Property, for the following calendar year. The proposed operating budget shall include scheduled payments to be made into operating and replacement reserve accounts in amounts to be approved by Lender in its reasonable discretion. 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 which consent shall not be unreasonably withheld or conditioned.

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

**2.13 TERMINATION OF PRIOR LOAN AGREEMENT.** Borrower and Lender agree that the Prior Loan Agreement is hereby terminated and superseded.

### **ARTICLE 3 LOAN DISBURSEMENTS**

**3.1 CONDITIONS PRECEDENT TO DISBURSEMENT.** Lender shall not be obligated to make any disbursements of the 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 an ALTA Lender's policy of title insurance from a title insurance company approved by the Lender in a form reasonably acceptable to Lender which demonstrates that only loans that the Loan shall

be subordinate to a long term loan not to exceed One Million Three Hundred Fifty Thousand Dollars (\$1,350,000);

C. Borrower has submitted and the Lender has approved an appraisal for the Property as constructed;

D. Borrower shall acquire a fee interest in the Property;

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

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

3.2 **DISBURSEMENT OF LOAN PROCEEDS.** Disbursement of Loan proceeds shall not exceed One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188). Lender must approve all requests for payment prior to disbursement of Loan proceeds for payment of land acquisition and development costs incurred on the Project. As a special disbursement condition, Lender shall holdback One Thousand Dollars (\$1,000) of HOME Funds for general development costs until 30 days after Borrower has completed the Project and any and all liens against the Property are released. All HOME Funds shall be used exclusively for property acquisition costs and such certain development costs as are specified in the Sources and Uses identified in the Budget attached hereto as Exhibit B and incorporated herein by this reference.

3.3 **AMOUNT OF DISBURSEMENT.** Loan proceeds shall be disbursed up to the amount of the Loan shown in the Budget and only for Lender approved items. Changes in individual items comprising the Budget shall require the prior consent of Lender which consent shall not be unreasonably withheld. However, Lender's obligations shall in no event exceed the Loan amount specified in this Loan Agreement. Any costs above this amount necessary for the completion of the Project shall be the sole responsibility of Borrower.

#### **ARTICLE 4 DEVELOPMENT OF PROJECT**

4.1 **SCOPE OF WORK.** Before commencement of any development and construction of the Project site, Borrower shall submit to Lender for its review and approval the final Scope of Work for the Project. Borrower shall develop and construct the Project in substantial conformance with the Scope of Work and any modifications thereto approved in writing by Lender.

4.2 **COMMENCEMENT OF PROJECT.** Borrower has commenced development of the Project.

4.3 **COMPLETION OF PROJECT.** Borrower shall diligently prosecute development of the Project to completion, and shall complete development activities of the

Project no later than June 30, 2008. Borrower shall provide proof of completion as evidenced by the recording of a Notice of Completion.

4.4 **FINANCING.** Borrower shall promptly inform Lender in writing of any changes in the amount, terms, and/or sources of financing or funding for the Property acquisition and Project development work.

4.5 **CONTRACTS AND SUBCONTRACTS.** All development work and professional services for the Project shall be performed by persons or entities licensed or otherwise authorized to perform the applicable construction work or service in the State of California.

Unless otherwise approved by Lender, to ensure that all costs incurred are reasonable and appropriate, all contracts entered into for development and construction work on the Project shall be the result of either competitive or negotiated bids.

All costs incurred in acquisition of the Property and development, construction and operation of the Project shall be the responsibility and obligation solely of Borrower.

4.6 **ADDITIONS OR CHANGES IN WORK.** Lender must be notified in a timely manner of any changes in the work required to be performed under this Loan Agreement. A written change order authorized by Lender must be obtained before any changes, additions, or deletions may be performed. If Lender has not responded to a written request for a change order by Borrower within ten (10) days of receipt of such request by Lender, such request shall be deemed approved by Lender. Consent to any additions, changes, or deletions to the work shall not release Borrower from any other obligations in the Loan Documents.

4.7 **INSPECTIONS.** Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the job site by Lender and by public authorities during reasonable business hours for the purposes of determining compliance with this Loan Agreement.

4.8 **SITE SUPERVISION.** During the development of the Project, Borrower shall maintain a full time site superintendent to supervise all development and construction work on the Property. The site superintendent shall be on-site during all work hours.

4.9 **CONSTRUCTION RESPONSIBILITIES.** Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Project, including, but not limited to, the quality and suitability of the construction work, the supervision of construction work, the qualifications, financial condition, and performance of all contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by Lender with reference to the Project is solely for the purpose of determining whether Borrower is properly discharging its obligations to Lender, and should not be relied upon by Borrower or by any third parties as a warranty or representation by Lender as to the quality of the development and construction of the Project.

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

4.11 **LEAD-BASED PAINT AND ASBESTOS REMOVAL.** Borrower and its contractors and subcontractors shall not use lead-based paint or asbestos in the development and construction of the Property and shall comply with Federal Regulations 24 C.F.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 involves the application of paint and/or other construction-related surfaces.

4.12 **QUALITY OF WORK** Borrower shall insure that all work conducted on the Project is in conformance with the Lender's construction standards and shall employ building materials of a quality suitable for the requirements of the Project. Borrower shall develop the Project in full conformance with applicable local, state, and federal statutes, regulations, and building and housing codes, including but not limited to, meeting the HUD quality standards set out in 24 C.F.R. Section 882.109 and the cost-effective and energy conservation and effectiveness standards in 24 C.F.R. part 39.

4.13 **MECHANICS LIENS AND STOP NOTICES.** If any claim of lien is filed against the Property or a stop notice affecting the Loan is served on Lender or any other lender or other third party in connection with the Project, Borrower shall, within sixty (60) days of such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to Lender a surety bond in sufficient form and amount, provide Lender with a lien-free endorsement or provide Lender with other assurance reasonably satisfactory to Lender that the claim of lien or stop notice will be paid or discharged.

If Borrower fails to discharge any lien, encumbrance, charge, or claim referred to herein, then in addition to any other right or remedy, Lender may, but shall be under no obligation to, discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternatively, Lender may require Borrower to immediately deposit with Lender the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof Lender may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

Borrower shall file a valid notice of cessation or notice of completion upon cessation of work on the Project for a continuous period of 30 days or more, and take all other reasonable steps to forestall the assertion of claims of lien against the Property. Borrower authorizes Lender, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interest in the Project and Property.

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



the HOME regulations, the HOME regulations shall govern, unless otherwise waived by the Lender.

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

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

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

C. 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.

D. 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."

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

4.15 **RELOCATION.** If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws.

4.16 **UNAVOIDABLE DELAY IN PERFORMANCE.** The time for performance of provisions of this Loan Agreement by either party shall be extended for a period equal to the period of any delay directly affecting the Project or this Loan Agreement which is caused by: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God;

quarantine restrictions; or freight embargoes or other events beyond the reasonable control of the party claiming the delay. An extension of time for any of the above-specified causes will be deemed granted only if written notice by the party claiming such extension is sent to the other party within five (5) calendar days from the commencement of the cause, and such extension of time is either accepted by the other party in writing, or is not rejected in writing by the other party within ten calendar days of receipt of the notice. In any event, construction of the Project must be completed no later than ninety (90) calendar days after the scheduled completion date specified herein, any unavoidable delay notwithstanding. Times of performance under this Loan Agreement may also be extended for any cause for any period of time by the mutual written agreement of Lender and Borrower.

## **ARTICLE 5 OPERATION**

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

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

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

**5.2 ASSISTED UNITS.** The eleven designated Assisted Units shall meet the following standards:

- A. Be similarly constructed and of comparable quality to all other units in the Project and;
- B. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

The size and distribution of the Assisted Units at any point in time shall be as follows:

Two Two-bedroom Units  
Six Three-bedroom Units  
Three Four-bedroom Units

**5.3 MARKETING PLAN.** Borrower shall comply with its Marketing Plan, attached hereto and incorporated by reference as Exhibit I hereto for marketing the Assisted Units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender's affirmative fair marketing guidelines.

5.4 **MANAGEMENT PLAN.** Borrower has submitted its proposed Management Plan to Lender as attached as Exhibit H which Lender has reviewed and approved.

5.5 **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 and must be preceded by not less than 30 days written notice to the tenant by the Borrower specifying the grounds for the action.

5.6 **TENANT SELECTION.** No later than thirty (30) days following the date of commencement of Project development, Borrower shall submit to the Lender for approval its tenant selection plan for the Assisted Units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender's affirmative fair marketing guidelines. 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.

5.7 **INCOME CERTIFICATION.** Borrower shall limit for the full term of the Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule contained in Regulatory Agreement. The income levels and other qualifications of applicants for Assisted Units shall be certified within sixty (60) business days of the household's expected occupancy of one of the Assisted Units and annually thereafter.

5.8 **AFFORDABILITY RESTRICTIONS.** Eleven (11) units in the Project shall be designated as Assisted Units. The Assisted Units must be occupied, or reserved for occupancy by, Qualifying Households.

5.9 **ASSISTED UNIT RENTS.** Rents for Assisted Units shall be limited to Qualifying Rents as set forth in the Regulatory Agreement. At least sixty (60) calendar days prior to increasing rents on any 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 thirty (30) days written notice prior to any rent increase. Provided such increased rent does not exceed the Qualifying Rents for such year, Lender shall approve such request.

5.10 **MAXIMUM RENTAL CHARGES.** For each Assisted Unit, the total charges for rent, utilities, and related services to each Qualifying Household shall not exceed thirty percent (30%) of fifty percent (50%) of Median Income.. Initial rents for each Assisted Unit

shall be as set forth in the Regulatory Agreement. Annual rent increases shall be calculated by Lender based on the change in permissible rents published annually by HUD. For all Assisted Units, Borrower shall annually certify each tenant household's gross income and make any rent adjustment pursuant to the terms of the Regulatory Agreement.

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

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

**5.13 RECORDS.** Borrower shall be accountable to Lender for all funds disbursed to Borrower pursuant to the Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures drawn from Loan funds, and to keep all invoices, receipts, and other documents related to expenditures from said Loan funds for not less than three years after completion of the Project. 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 and construction of the Project.

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

**5.15 ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this Loan Agreement, Borrower shall not engage in any financing or any other transaction creating any security interest or other encumbrance or lien upon the Property, whether by express agreement

or operation of law, or allow any encumbrance or lien to be made on or attached to the Property, except with the prior written consent of Lender. Borrower shall notify Lender in writing in advance of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter into with respect to the Project or Property, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of Borrower or otherwise.

**5.16 TRANSFER OF PROPERTY.** Borrower has not made or created, and shall not, make or permit any sale, assignment, conveyance, lease (other than the leasing of units in the Project pursuant to an approved lease), or other transfer of this Loan Agreement, the Project, or the Property, or any part thereof, without the prior written consent of Lender. Notwithstanding the above, Lender hereby agrees that a transfer of the interests of Borrower's limited partners is permitted and shall not constitute a default of this Loan Agreement. In addition, notwithstanding anything contained in this Loan Agreement, a removal of the general partner of the Borrower for cause by the limited partners, pursuant to the terms of the Borrower's partnership agreement is permitted and does not constitute a default of this Loan Agreement.

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

**5.18 DAMAGE TO PROPERTY.** If any building or structure 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 structures consistent with the original Scope of Work 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 from such commencement, 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.

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

## ARTICLE 6 INDEMNITY AND INSURANCE

6.1 **INDEMNITY AND INSURANCE.** Borrower hereby agrees to defend, indemnify and save harmless the Lender and to procure and maintain insurance in accordance with the provisions of Exhibit E attached hereto and incorporated herein by 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. Project Development and Construction. (1) Borrower's substantial deviation in the development and construction work specified in the Scope of Work submitted to Lender, without Lender's prior written consent; (2) Borrower's use of defective or unauthorized materials or defective workmanship in development and construction of the Project; (3) Borrower's failure to commence or complete construction work according to the schedule specified in this Loan Agreement; (4) the cessation of construction work prior to completion of the Project for a period of more than twenty-one (21) continuous calendar days without proper justification; (5) failure to comply with the provisions of Section 4.14 herein; (6) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (7) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing Project development and construction, including but not limited to provisions of this Loan Agreement pertaining to affirmative action and equal employment opportunity, minority and women-owned business enterprises, disabled access, lead paint, Hazardous Materials, and provision or relocation benefits and assistance;

C. Operation. (1) Discrimination by Borrower on the basis of characteristics prohibited by this Loan Agreement or applicable law or (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;

D. 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;

E. 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;

F. 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;

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

H. 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.

**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 to completion which shall, in any event, not exceed ninety (90) days from the date of receipt of the notice to cure. The Lender has the sole discretion to determine whatever additional reasonable time is needed to cure. Notwithstanding anything to the contrary contained herein, a cure by the limited partner of Borrower shall be accepted as if cured by Borrower itself.

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

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

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

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

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

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

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

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

## ARTICLE 9 GENERAL PROVISIONS

9.1 **BORROWER'S WARRANTIES.** Borrower represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of these Loan Documents and the Regulatory 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 this 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 this 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 this 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 and The City of Santa Maria" 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 this Loan.

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

9.8 **STATUTORY REFERENCES.** All references in the Loan Documents or Regulatory 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 or conditioned. 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  
105 E Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Program Manager  
Housing Development and Grants Administration Division

**BORROWER:** Ted Zenich Gardens, LP  
815 West Ocean Avenue  
Lompoc, Ca. 93436  
Attn: Executive Director

With copy to Apollo Housing Capital, LLC  
600 Superior Avenue, Suite 2300  
Cleveland, Ohio, 99114.  
Attn: President and General Counsel

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 consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.

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

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

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

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

IN WITNESS WHEREOF, Lender and Borrower have caused this Loan Agreement to be executed by their duly authorized representatives.

**ATTEST:**

MICHAEL F. BROWN  
Clerk of the Board

**COUNTY:**

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

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

By: \_\_\_\_\_  
Salud Carbajal, Chair  
Board of Supervisors

**APPROVED AS TO FORM:**

BOB GEIS  
AUDITOR CONTROLLER

**BORROWER:**

Ted Zenich Gardens, L.P.  
a California limited partnership

By: \_\_\_\_\_  
Mark Paul  
Senior Financial Analyst

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

and

Expenditure Accounting Information

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

Fund: 0066      Dept: 055  
Line Item: 7650      Program: 6000

**APPROVED AS TO FORM:**

DANIEL J. WALLACE  
COUNTY COUNSEL

\_\_\_\_\_  
Deputy County Counsel

**APPROVED AS TO FORM:**

RAY AROMATORIO  
RISK MANAGER

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

**EXHIBIT A**  
**LEGAL DESCRIPTION OF THE PROPERTY**





THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SANTA MARIA, COUNTY OF Santa Barbara, STATE OF CA AND IS DESCRIBED AS FOLLOWS:

Lot 120 of Townhomes East Tract No. 5121, in the City of Santa Maria, County of Santa Barbara, State of California, as per map recorded in Book 92, Pages 30 to 35, inclusive, of Maps, in the Office of the County Recorder of said County.

Together with the Northerly 15' of that certain alley as abandoned by the City of Santa Maria per Resolution 81-275, recorded July 15, 1981 as Instrument No. 81-29064 and re-recorded September 24, 1981 as Instrument No. 81-39466 of Official Records, Santa Barbara County, lying within the Southerly extension of the Westerly and Easterly lines of Lot 120.



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



## DEVELOPMENT BUDGET

### Ted Zenich Gardens Santa Maria, CA

	Total Project Costs	Tax Credit Eligible Basis	Tax Assessor's Basis
<b>Total Land Costs</b>	\$ 618,580	\$ -	\$ 618,580
<b>Total Acquisition Costs</b>	\$ -	\$ -	\$ -
<b>New Construction and/or Rehabilitation</b>			
Off Site Work	\$ -	\$ -	\$ -
On Site Work	\$ 690,171	\$ 690,171	\$ 690,171
Structures	\$ 4,760,927	\$ 4,760,927	\$ 4,760,927
General Requirements	\$ 213,500	\$ 213,500	\$ 213,500
Contractor Overhead	\$ 108,212	\$ 108,212	\$ 108,212
Contractor Profit	\$ 432,850	\$ 432,850	\$ 432,850
Construction Contingency	\$ -	\$ -	\$ -
<b>Total Construction Costs</b>	<b>\$ 6,205,660</b>	<b>\$ 6,205,660</b>	<b>\$ 6,205,660</b>
<b>Financing Costs</b>			
Construction Loan Interest	\$ 145,000	\$ 145,000	\$ -
Construction Loan or LOC Fee	\$ 24,851	\$ 24,851	\$ -
Cons. Lender Costs (Legal, Inspections, Etc.)	\$ 15,000	\$ 15,000	\$ -
Bridge Loan Fee & Bridge Loan Legal Costs	\$ -	\$ -	\$ -
Permanent Loan Fees	\$ 20,000	XXXXXXXXXXXXX	\$ -
Permanent Loan Costs	\$ 10,000	XXXXXXXXXXXXX	\$ -
Tax Credit Fees	\$ 55,124	XXXXXXXXXXXXX	\$ -
Trustee Fees & Costs	\$ -	XXXXXXXXXXXXX	\$ -
Bond Counsel & Bond Purchaser Legal	\$ -	XXXXXXXXXXXXX	\$ -
<b>Total Financing Costs</b>	<b>\$ 269,975</b>	<b>\$ 184,851</b>	<b>\$ -</b>
<b>Soft Costs</b>			
Architectural	\$ 520,871	\$ 520,871	\$ -
Engineering/Surveying/Environmental	\$ 38,528	\$ 38,528	\$ -
Taxes During Construction	\$ 2,993	\$ 2,993	\$ -
Insurance	\$ 82,662	\$ 82,662	\$ -
Title & Recording	\$ 31,590	\$ 31,590	\$ -
Borrower Attorney	\$ 39,335	\$ 39,335	\$ -
Appraisal	\$ 8,800	\$ 8,800	\$ -
Local Tap, Building Permit, & Impact Fees	\$ 814,109	\$ 814,109	\$ -
Marketing	\$ 17,038	XXXXXXXXXXXXX	\$ -
Relocation	\$ -	\$ -	\$ -
Furnishings	\$ 7,500	\$ 7,500	\$ -
Cost Certification	\$ 5,000	\$ 5,000	\$ -
Market Study	\$ 6,682	\$ 6,682	\$ -
Soft Cost Contingency	\$ 5,443	\$ 5,443	\$ -
Developer Overhead & Profit	\$ 1,148,924	\$ 1,148,924	\$ -
Consultant Fee	\$ -	\$ -	\$ -
<b>Total Soft Costs</b>	<b>\$ 2,729,475</b>	<b>\$ 2,712,437</b>	<b>\$ -</b>
<b>Reserves</b>			
Lease-Up Interest Reserve	\$ 30,000	XXXXXXXXXXXXX	\$ -
Operating Reserves	\$ 46,400	XXXXXXXXXXXXX	\$ -
<b>Total Reserve Costs</b>	<b>\$ 76,400</b>	<b>XXXXXXXXXXXXX</b>	<b>\$ -</b>
<b>Total Project Costs</b>	<b>\$ 9,900,090</b>	<b>\$ 9,102,948</b>	<b>\$ 6,824,240</b>



# FINANCING & COMPLIANCE DETAILS

Rev. 2/18/08

Ted Zenich Gardens

Santa Maria, CA

## PERMANENT FINANCING

Total Project Costs		\$ 9,900,090									
Tax Credit Financing	<i>Basis Cushion / (Shortfall)</i> \$126,597										
Tax Credit Eligible Basis		\$ 9,102,948									
Less: Grant Proceeds	\$ -										
Other Exclusions	\$ 2,340,000										
Requested Eligible Basis		\$ 6,762,948									
Difficult to Develop Bonus (Yes - 130%, No - 100%)		130%									
Total Adjusted Eligible Basis		\$ 8,791,832									
Times % of Affordable Units or Sqr. Ft.		98.00%									
Qualified Basis Eligible to Receive Tax Credits		\$ 8,615,995									
	<table border="1" style="display: inline-table; margin-right: 10px;"> <tr><td style="text-align: center;"><i>Federal Tax Credits</i></td></tr> <tr><td style="text-align: center;">8.15%</td></tr> <tr><td style="text-align: center;">10</td></tr> <tr><td style="text-align: right;">\$ 6,890,590</td></tr> </table> + <table border="1" style="display: inline-table; margin-left: 10px;"> <tr><td style="text-align: center;"><i>State Tax Credits</i></td></tr> <tr><td style="text-align: center;">0.00%</td></tr> <tr><td style="text-align: center;">1</td></tr> <tr><td style="text-align: right;">\$ -</td></tr> </table> = <table border="1" style="display: inline-table; margin-left: 10px;"> <tr><td style="text-align: right;">\$ 6,890,590</td></tr> </table>	<i>Federal Tax Credits</i>	8.15%	10	\$ 6,890,590	<i>State Tax Credits</i>	0.00%	1	\$ -	\$ 6,890,590	
<i>Federal Tax Credits</i>											
8.15%											
10											
\$ 6,890,590											
<i>State Tax Credits</i>											
0.00%											
1											
\$ -											
\$ 6,890,590											
Syndicated @	99.99%	\$ 0.9865									
Syndication Proceeds	Res. - Federal \$ 6,890,590	Add. Federal \$ -									
Total Tax Credit Financing		68.65% \$ (6,796,886)									
Permanent Loan		10.10% \$ (1,000,000)									
Santa Bar. County HOME Loan		18.24% \$ (1,806,188)									
S.B.C.H.A. Loan		1.82% \$ (180,000)									
Other		0.00% \$ -									
Deferred Developer Fee		1.18% \$ (117,016)									
Financing Shortfall / (Overage)		0.00% \$ -									

Max. HOME - No Davis Bacon		HOME Units	#	Max. Subsidy	Subsidy by Type	Total Limit
Max. HOME Units	11	1-Bedroom	0	\$ 127,286	\$ -	\$ 4,695,685
Ratio to Tot. Units	45.83%	2-Bedroom	5	\$ 154,781	\$ 773,905	Loan Amount
Tot. Project Costs	\$ 9,900,090	3-Bedroom	13	\$ 200,232	\$ 2,603,016	\$ 1,986,188
HOME Loan	\$ 4,537,211	4-Bedroom	6	\$ 219,794	\$ 1,318,764	O.K.

Compliance with HUD 221(d)(3) Cost Limits			
Unit Size	Number of Units	Santa Barbara County Basis Limits	Totals
1	0	\$ 131,753	\$ -
2	5	\$ 160,212	\$ 801,060
3	13	\$ 207,259	\$ 2,694,367
4	6	\$ 227,508	\$ 1,365,048
Total 221(d)(3) Limit + Bonuses			\$ 6,517,297
Requested Eligible Basis			\$ 6,762,948
% Below HUD 221(d)(3) Limit			-3.7692%

Construction Financing	
Tax Credit Equity	\$ 4,078,132
Santa Bar. County HOME Loan	\$ 1,806,188
S.B.C.H.A. Loan	\$ -
Other	\$ -
Other	\$ -
Deferred Costs	\$ 76,400
Construction Retention	\$ -
Deferred Developer Fee	\$ 994,693
Construction Loan	\$ 2,944,677
Total Project Costs	\$ 9,900,090





## OPERATING & LOAN DETAILS

**Project:** Ted Zenich Gardens

**Location:** Santa Maria, CA Rev. 2/18/08

Type	AMI Rent Level	Number of Units	Unit Sq. Ft.	Gross Rent	Utility Allowance	Net Rent	Monthly Totals	Annual Totals
1BR/1BA	30%	0	0	0	0	0	0	0
1BR/1BA	50%	0	0	0	0	0	0	0
1BR/1BA	45%	0	0	0	0	0	0	0
1BR/1BA	0%	0	0	0	0	0	0	0
2BR/2BA	30%	0	1,128	453	63	390	0	0
2BR/2BA	50%	3	1,128	755	63	692	2,076	24,912
2BR/2BA	45%	1	1,128	679	63	616	616	7,392
2BR/2BA	0%	0	1,128	0	0	0	0	0
3BR/2BA	30%	2	1,369	523	74	449	898	10,776
3BR/2BA	50%	9	1,369	872	74	798	7,182	86,184
3BR/2BA	45%	2	1,369	785	74	711	1,422	17,064
3BR/2BA	0%	0	1,369	0	0	0	0	0
4BR/2BA	30%	1	1,593	583	86	497	497	5,964
4BR/2BA	50%	4	1,593	972	86	886	3,544	42,528
4BR/2BA	45%	1	1,593	875	86	789	789	9,468
4BR/2BA	0%	0	1,593	0	0	0	0	0
2BR/1BA	Manager's	1	1,128	0	0	0	0	0

Total Units & Sq. Ft.	24	32,995	% of Sq. Ft.	% of Units
Clubhouse/Office/Garages		1,349	Affordable	Affordable
<b>Total Project Sq. Ft.</b>		<b>34,344</b>	100.00%	100.00%

\$ 17,024	\$ 204,288
-----------	------------

**Total Annual Rental Income**

**\$ 204,288**

Operating Deficit Guarantee	
10% of Perm.	\$ 100,000
Year 1 Op. Exp.	\$ 105,600
<b>Guarantee</b>	<b>\$ 105,600</b>

Other

Laundry Income/Unit/Year & Total \$ 75 \$ 1,800

Other - Late Fees, etc./Unit/Year & Total \$ 25 \$ 600

Total Annual Other Income

\$ 2,400

Total Annual Potential Gross Income

**\$ 206,688**

Vacancy & Collection Loss

5%

\$ (10,334)

**Annual Effective Gross Income**

**\$ 196,354**

Replacement Reserves	
MHP Min / Unit	\$ -
TCAC Min / Unit	\$ 250
<b>Reserve / Unit</b>	<b>\$ 250</b>

Project Unit Mix		
Unit Type	Number	% of Total
1 Bdrm./1 Bath.	0	0.00%
2 Bdrm./2 Bath.	5	21.00%
3 Bdrm./2 Bath.	13	54.00%
4 Bdrm./2 Bath.	6	25.00%
<b>Totals</b>	<b>24</b>	<b>100.00%</b>

Average Affordability		
Unit Type	Number	Factor
30%	3	0.04
50%	16	0.35
45%	4	0.08
0%	0	0.00
<b>Average Affordability</b>		<b>46.52%</b>

## OPERATING & LOAN DETAILS (Page 2)

### ANNUAL EXPENSES

Real Estate Taxes & Special Assessments
Other Taxes
Insurance
Licenses
Fuel & Gas
Electricity
Water & Sewer
Trash Removal
Pest Control
Building & Maintenance Repairs
Building & Maintenance Supplies
Supportive Services
Snow Removal
Gardening & Landscaping
Management Fee
On-Site Manager(s)
Other Payroll
Ground Lease Payment
Cleaning Supplies
Benefits
Payroll Taxes & Work Comp
Advertising
Telephone
Legal & Accounting
Operating Reserve Deposit
Office Supplies & Expense
Miscellaneous Administrative
Replacement Reserves

	% of Annual	% of Total	Per Unit	Total
	EGI	Operating Exp.		
Real Estate Taxes & Special Assessments	0.71%	1.33%	\$ 59.00	\$ 1,400
Other Taxes	0.41%	0.76%	\$ 33.00	\$ 800
Insurance	3.67%	6.82%	\$ 300.00	\$ 7,200
Licenses	0.25%	0.47%	\$ 21.00	\$ 500
Fuel & Gas	2.80%	5.24%	\$ 231.00	\$ 5,500
Electricity	2.04%	3.75%	\$ 165.00	\$ 4,000
Water & Sewer	7.08%	13.21%	\$ 581.00	\$ 13,900
Trash Removal	3.06%	5.68%	\$ 250.00	\$ 6,000
Pest Control	0.36%	0.66%	\$ 29.00	\$ 700
Building & Maintenance Repairs	6.47%	12.00%	\$ 528.00	\$ 12,700
Building & Maintenance Supplies	2.70%	5.00%	\$ 220.00	\$ 5,300
Supportive Services	2.55%	4.73%	\$ 208.00	\$ 5,000
Snow Removal	0.00%		\$ -	\$ -
Gardening & Landscaping	2.14%	4.00%	\$ 176.00	\$ 4,200
Management Fee	5.00%	9.28%	\$ 408.00	\$ 9,800
On-Site Manager(s)	5.13%	9.55%	\$ 420.00	\$ 10,080
Other Payroll	0.00%	0.00%	\$ -	\$ -
Ground Lease Payment	0.00%	0.00%	\$ -	\$ -
Cleaning Supplies	0.25%	0.50%	\$ 22.00	\$ 500
Benefits	0.73%	1.36%	\$ 60.00	\$ 1,440
Payroll Taxes & Work Comp	1.17%	2.18%	\$ 96.00	\$ 2,300
Advertising	0.56%	1.00%	\$ 44.00	\$ 1,100
Telephone	0.76%	1.42%	\$ 62.00	\$ 1,500
Legal & Accounting	2.04%	3.79%	\$ 167.00	\$ 4,000
Operating Reserve Deposit	0.00%	0.00%	\$ -	\$ -
Office Supplies & Expense	0.76%	1.42%	\$ 62.00	\$ 1,500
Miscellaneous Administrative	0.09%	0.17%	\$ 8.00	\$ 180
Replacement Reserves	3.06%	5.68%	\$ 250.00	\$ 6,000

Annual Expenses - Per Unit & Total

\$ 4,400 \$ 105,600

Annual Net Operating Income - Per Unit & Total

\$ 3,781 \$ 90,754

### PERMANENT LOAN ANALYSIS

	<i>Restricted Loan Amounts</i>			<i>Unrestricted Loan Amounts</i>		
	8.500%	9.000%	9.500%	**	**	<i>Fixed Loan Amount</i>
Cap Rate	8.500%	9.000%	9.500%	**	**	
Loan-To-Value Restriction	80%	80%	80%	**	**	
Debt Service Coverage	1.37	1.45	1.53	1.15	1.20	1.17
Loan Amount	\$ 854,155	\$ 806,702	\$ 764,244	\$ 1,013,937	\$ 971,690	\$ 1,000,000
Constant	**	**	**	0.077832	0.077832	0.077832
Interest Rate	6.750%	6.750%	6.750%	6.750%	6.750%	6.750%
Amortization Period in Years	30	30	30	30	30	30
Annual Debt Service	\$ 66,480	\$ 62,787	\$ 59,482	\$ 78,917	\$ 75,628	\$ 77,832
Annual Cash Flow	\$ 24,274	\$ 27,967	\$ 31,272	\$ 11,837	\$ 15,126	\$ 12,922
Loan Selection						X

Red Zenich Gardens Santa Maria, CA

Rev: 2/18/05

RENTAL INCOME	% AMI	Monthly Net Rent /Unit	No. of Units	Annual Increase	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1BR/1BA	30%	0	0	2.5%	-	-	-	-	-	-	-	-	-	-
1BR/1BA	50%	0	0	2.5%	-	-	-	-	-	-	-	-	-	-
1BR/1BA	45%	0	0	2.5%	-	-	-	-	-	-	-	-	-	-
1BR/1BA	0%	0	0	2.5%	-	-	-	-	-	-	-	-	-	-
2BR/2BA	30%	390	0	2.5%	-	-	-	-	-	-	-	-	-	-
2BR/2BA	50%	692	3	2.5%	24,912	25,535	26,173	26,827	27,498	28,186	28,890	29,613	30,353	31,112
2BR/2BA	45%	616	1	2.5%	7,392	7,577	7,766	7,960	8,159	8,363	8,572	8,787	9,006	9,232
2BR/2BA	0%	0	0	2.5%	-	-	-	-	-	-	-	-	-	-
3BR/2BA	30%	449	2	2.5%	10,776	11,045	11,322	11,605	11,895	12,192	12,497	12,809	13,130	13,458
3BR/2BA	50%	798	9	2.5%	86,184	88,339	90,547	92,811	95,131	97,509	99,947	102,446	105,007	107,632
3BR/2BA	45%	711	2	2.5%	17,054	17,491	17,928	18,376	18,835	19,306	19,789	20,284	20,791	21,311
3BR/2BA	0%	0	0	2.5%	-	-	-	-	-	-	-	-	-	-
4BR/2BA	30%	497	1	2.5%	5,984	6,113	6,266	6,423	6,583	6,748	6,916	7,089	7,267	7,448
4BR/2BA	50%	886	4	2.5%	42,528	43,591	44,681	45,798	46,943	48,117	49,319	50,552	51,816	53,112
4BR/2BA	45%	789	1	2.5%	9,488	9,705	9,947	10,196	10,451	10,712	10,980	11,254	11,536	11,824
4BR/2BA	0%	0	0	2.5%	-	-	-	-	-	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>23</b>		<b>204,288</b>	<b>209,395</b>	<b>214,630</b>	<b>219,996</b>	<b>225,496</b>	<b>231,133</b>	<b>236,911</b>	<b>242,834</b>	<b>248,905</b>	<b>255,128</b>

OTHER INCOME	Units	Increase	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Other Income 1 (Laundry)	23	2.0%	1,800	1,836	1,873	1,910	1,948	1,987	2,027	2,068	2,109	2,151
Other Income 2 (Office)	23	2.0%	600	612	624	637	649	662	676	689	703	717
<b>TOTAL OTHER INCOME</b>			<b>2,400</b>	<b>2,448</b>	<b>2,497</b>	<b>2,547</b>	<b>2,598</b>	<b>2,650</b>	<b>2,703</b>	<b>2,757</b>	<b>2,812</b>	<b>2,868</b>

TOTAL INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
TOTAL INCOME	206,688	211,843	217,127	222,543	228,094	233,783	239,614	245,591	251,717	257,906
Loss Vacancy Allowance	(10,334)	(10,592)	(10,856)	(11,127)	(11,405)	(11,689)	(11,981)	(12,280)	(12,586)	(12,900)
<b>GROSS INCOME</b>	<b>196,354</b>	<b>201,251</b>	<b>206,271</b>	<b>211,416</b>	<b>216,689</b>	<b>222,094</b>	<b>227,633</b>	<b>233,311</b>	<b>239,131</b>	<b>245,006</b>

OPERATING EXPENSES	Per Unit	%EGT Incl./Yr.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Management Fees	408	5.0%	9,300	10,045	10,296	10,554	10,817	11,088	11,365	11,649	11,940	12,239
Real Estate Taxes	58	0.7%	1,400	1,428	1,457	1,486	1,515	1,546	1,577	1,608	1,640	1,673
Other Operating Expenses	3,683	45.0%	88,400	91,494	94,696	98,011	101,441	104,991	108,666	112,469	116,406	120,480
<b>OPERATING EXPENSES (Excluding Reserves)</b>	<b>4,150</b>	<b>3.5%</b>	<b>99,600</b>	<b>102,967</b>	<b>106,449</b>	<b>110,050</b>	<b>113,774</b>	<b>117,625</b>	<b>121,608</b>	<b>125,727</b>	<b>129,987</b>	<b>134,392</b>
Replacement Reserve Deposit	\$	0.0%	6,488	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Operating Reserve Deposit	\$	0.0%	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	<b>4,150</b>	<b>0.0%</b>	<b>105,600</b>	<b>108,967</b>	<b>112,449</b>	<b>116,050</b>	<b>119,774</b>	<b>123,625</b>	<b>127,608</b>	<b>131,727</b>	<b>135,987</b>	<b>140,392</b>

CASH FLOW AVAILABLE FOR DEBT SERVICE	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
CASH FLOW AVAILABLE FOR DEBT SERVICE	90,754	92,284	93,822	95,366	96,915	98,469	100,025	101,584	103,144	104,704

DEBT SERVICE	Amount	Yr. 1DSR	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Permanent Loan	\$ 1,000,000	1.166	77,832	77,832	77,832	77,832	77,832	77,832	77,832	77,832	77,832	77,832
LP Asset Management Fees	\$	-	2,400	2,472	2,546	2,622	2,701	2,782	2,865	2,951	3,040	3,131
Non-Profit Fees	\$	-	-	-	-	-	-	-	-	-	-	-
Santa Bar County HOME Loan	\$ 1,806,188	-	5,261	5,990	6,722	7,456	8,191	8,928	9,664	10,401	11,136	11,871
S.B.C.H.A. Loan	\$ 180,000	-	-	-	-	-	-	-	-	-	-	-
Other	\$	-	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	\$ 117,016	-	5,261	5,990	6,722	7,456	8,191	8,927	9,665	10,401	11,137	11,870
<b>NET CASH FLOW</b>												
<b>CUMULATIVE CASH FLOW</b>												

HOME Loan	Interest Rate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
HOME Loan	5%	1,891,236	1,979,808	2,072,076	2,168,224	2,268,444	2,372,938	2,481,921	2,595,616	2,714,261	2,838,103
S.B.C.H.A. Loan	0%	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Deferred Developer Fee	0%	111,753	105,765	99,043	91,587	83,396	74,469	64,804	54,403	43,266	31,396



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



NO FEE DOCUMENT

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

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

NO FEE DOCUMENT PURSUANT TO  
GOVERNMENT CODE SECTION 6103

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

This Revised and Restated Deed of Trust, Assignment of Rents, and Security Agreement supersedes and replaces in its entirety that certain Deed of Trust, Assignment of Rents, and Security Agreement executed by Ted Zenich Gardens, LP, a California Limited Partnership recorded against that certain real property as defined below and recorded in the Official Records of Santa Barbara County on February 15, 2007 as Instrument Number 2007-0011376.

THIS REVISED AND RESTATED DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("Deed of Trust") is made as of this \_\_\_\_ day of \_\_\_\_\_, 2008, by Ted Zenich Gardens, L.P., a California limited partnership ("Trustor"), to \_\_\_\_\_ Title Company, as trustee ("Trustee"), for the benefit of the County of Santa Barbara, a political subdivision of the State of California ("Beneficiary").

**GRANT IN TRUST**

1. **GRANT.** Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor's interest in the property located at 1034 East Chapel Street in the City of Santa Maria, which is located in Santa Barbara County, California, as more particularly described in Exhibit A (the "Property") 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, paneling, cabinets, (provided, however, that Trustor shall have the right to remove, if necessary, such fixtures, furnishings, and equipment for the purpose of replacement with similar items of the same quality performing the same functions, which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased with the Loans' proceeds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all rents and income generated by the Property or improvements thereon (subject however to the assignment of rents to Lender contained herein); all leases, subleases and rental agreements covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, or payments of similar nature with respect to such leases, subleases, or rental agreements; all easements and rights-of-way appurtenant to the Property, including parking and recreational easements, and all interests of Trustor in any land lying within the right-of-way of any street, sidewalks, and areas of land adjacent to or used in connection with the Property; all development rights and credits, air rights, water rights, and oil, gas or mineral rights with respect to the Property; all claims or demands with respect to insurance proceeds, and all awards made for a taking by eminent domain; all interests and rights in any private or government grants, subsidies, loans, or other financing with respect to development on the Property; all interests in personal property used in and about the Property (except furniture and other personal property of occupants of dwelling units on the Property); all intangible property and rights relating to the Property or operations on the Property, including trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction on the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction of improvements on the Property; all environmental tests, studies and reports with respect to the Property; all current and future claims and rights of action of Trustor against prior owners and operators of the Property, neighboring property owners and operators, tenants and former tenants, consultants, advisors, and other third parties with respect to environmental or Hazardous Materials contamination and cleanup of the Property under any federal, state, or local ordinances, statutes, regulations, or administrative decisions or common law.

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

### **OBLIGATIONS SECURED**

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

A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188), with interest thereon, evidenced by a revised and restated promissory note executed by Trustor 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. Performance of every obligation, covenant or agreement of Trustor contained in this Deed of Trust, the Note, the revised and restated loan agreement executed between Trustor and Beneficiary concerning the loan from Beneficiary to Trustor of One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188) (the "Loan Agreement"), and the regulatory agreement executed between Trustor and Beneficiary and recorded against the Property (the "Regulatory Agreement"), including all modifications, extensions and renewals of these obligations; and

D. 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

E. Performance of any obligations of Trustor in any other agreements with respect to financing of the Project 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.C. 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 Scope of Work approved under the Loan Agreement or any modifications to the Scope of Work or the Project 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 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.

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 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.

20. **INSURANCE.** Trustor shall provide such insurance as required under the Loan Agreement and the Regulatory Agreement. 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 Project, and to use all available condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Loans in balance and rebuild the Project 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 Project as provided for under the Loan Documents; 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.

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' 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 Note 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 Note, or applicable law, proceed with any or all of the following remedies:

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

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

C. Disburse from the Loans' proceeds 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 they 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 Department  
105 E. Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Executive Director

**TRUSTOR:** Ted Zenich Gardens, LP  
815 W. Ocean Ave.  
Lompoc, CA 93436

With copy to Trustor's limited partner at:

Apollo Housing Capital, LLC  
600 Superior Avenue, Suite 2300  
Cleveland Ohio 44114  
Attn: President and General Counsel

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

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

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

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

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



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

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

42. **SUBSTITUTION OF TRUSTEE.** 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 are 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 officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the Note or the performance of the covenants of the Trustor under the Deed of Trust securing the Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note 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 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 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 Article 6 and Article 7 of 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:  
Ted Zenich Gardens, LP, a California  
limited partnership

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
*Signature must be notarized*

AND

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_  
*Signature must be notarized*

State of California )  
County of \_\_\_\_\_ )

On \_\_\_\_\_ before me, (here insert name and title of the officer), personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their Authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the Entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.  
Signature \_\_\_\_\_ (Seal)

State of California )  
County of \_\_\_\_\_ )

On \_\_\_\_\_ before me, (here insert name and title of the officer), personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their Authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the Entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.  
Signature \_\_\_\_\_ (Seal)



**EXHIBIT D**  
**PROMISSORY NOTE**



**REVISED AND RESTATED  
PROMISSORY NOTE**

Santa Barbara, California

\$1,806,188

June \_\_\_\_\_, 2008

This Revised and Restated Promissory Note supersedes and replaces in its entirety that certain Promissory Note executed by Ted Zenich Gardens, LP, a California Limited Partnership for the benefit of the County of Santa Barbara, a political subdivision of the State of California (the "Lender") dated as of January 31, 2007 in the principal amount of One Million Four Hundred Fifty-Six Thousand One Hundred Eighty-Eight Dollars (\$1,456,188) for the acquisition and construction of certain real property as defined below.

FOR VALUE RECEIVED, Ted Zenich Gardens, LP, a California Limited Partnership (the "Borrower"), hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California (the "Lender"), the principal amount equal to One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188), or so much thereof as may be advanced by the Lender to the Borrower, together with interest thereon, as set forth below.

1. **PURPOSE.** In order to assist Borrower in acquiring and developing real property and providing twenty-four (24) units of affordable housing, Lender has agreed to lend the amount of One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188) to Borrower. Such funds have been received by the County from the United States Department of Housing and Urban Development under the HOME Investment Partnership Program (the "HOME Funds").

2. **BORROWER'S OBLIGATION.** This promissory note (the "Note") evidences the Borrower's obligation to pay the Lender such amount as has been disbursed under the Loan Agreement but not to exceed the principal amount of One Million Eight Hundred Six Thousand One Hundred Eighty-Eight Dollars (\$1,806,188) (the "Loan") plus any current or accumulated interest thereon for the funds loaned to the Borrower by the Lender to finance the acquisition, development and construction of certain real property, as more particularly described in Exhibit A, (the "Property") upon which the Borrower will build twenty-four (24) units of affordable housing (the "Project").

3. **INTEREST.** Subject to Section 4, this Note shall bear five percent interest (5%) 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%) compounded annually 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) fifty-five (55) years from the date of the Note, or (b) the date the Property is sold. 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.

6. **DEFINITIONS.** The following shall have the meanings as defined below. All initially capitalized terms in this which are not defined below shall have the definition ascribed to such term in Loan Agreement:

- a. "Annual Financial Statement" means the financial statement of Operating Expenses and Revenues, prepared at the Borrower's expense, by an independent certified accountant reasonably acceptable to Lender, which shall form the basis for determining the Residual Receipts.
- b. "Operating expenses" shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including without limitation painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under senior loans. Operating Expenses may include the payment to Borrower of a reasonable partnership management fee and a reasonable asset management fee. Operating Expenses may also include a deferred developer fee so long as the total amount of developer fees over the life of the project does not exceed One Million Two Hundred Fifty Thousand Dollars (\$1,250,000). The Operating Expenses shall be reported in the Annual Financial Statement.
- c. "Payment Date" shall mean April 1, 2009 for the first payment and April 1st for each year thereafter until the loan is paid in full or otherwise terminated.
- d. "Residual Receipts" shall mean Revenues reduced by Operating Expenses.
- e. "Revenue" shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees.

7. **PAYMENTS.** Borrower shall make annual payments to Lender on the Loan from Residual Receipts. On or before each Payment Date the Borrower shall submit its Annual Financial Statement to Lender for the preceding calendar year together with an amount equal one



hundred percent (100%) of 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 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. Any payments made by Borrower pursuant to this Section shall be applied first to pay current annual interest due, if any, then the cumulative interest owed, if any, then to reduce the principal amount of the 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 5 above.

Once the amount of Residual Receipts has been finally determined as set forth above, the Lender shall deposit all funds received under this Agreement in conformity with its HOME Consortium Agreement.

**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 below, or at such other place as Lender may designate to the 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.

County of Santa Barbara  
105 E Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Director, Housing and Community Development.

**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 and any default interest as set forth in Section 4, 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. 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 the above, Borrower's limited partner may, but is not obligated to, cure any default of Borrower hereunder which cure will be accepted by Lender as if it was made by Borrower.

**10. PREPAYMENT.** The Borrower may pay the principal and any interest due on the Note in advance of the time for payment thereof as provided in this Note, without penalty or premium.

11. **APPLICATION OF PAYMENTS.** Payments by Borrower pursuant to this Note shall be applied first to accrued interest then to current interest, then to other charges, if any, then to reduce the principal.

12. **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.

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

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

15. **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 the Borrower at the principal office of the Borrower set forth below, or at such other place or places as the Borrower shall designate in writing, from time to time, for the receipt of communications from Lender.

Ted Zenich Gardens, LP  
815 W. Ocean Ave.  
Lompoc, CA 93436  
Attn: Executive Director

With a copy to the Borrowers limited partner at:

Apollo Housing Capital, LLC  
600 Superior Avenue, Suite 2300  
Cleveland, Ohio, 99114.  
Attn: President and General Counsel

16. **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 the Borrower and Lender.

17. **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.

18. **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.

19. **TIME.** Time is of the essence in this Note.

20. **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.

21. **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 the Borrower or to pursue any remedy allowed under this Note or applicable law. Any extension of time granted to the Borrower to perform any obligation under this Note shall not operate as a waiver or release from any of its obligations under this Note.

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

23. **NONRECOURSE.** Except as expressly provided in the second paragraph of this Section 23, the Borrower, and the 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 the 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) the 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 the Borrower after the Lender has given notice to the 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.

24. **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.

IN WITNESS WHEREOF, the parties hereby have executed this Note as of the date first above written.

**BORROWER:**

Ted Zenich Gardens, L.P.  
A California limited partner

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

And

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

**EXHIBIT E**  
**INSURANCE REQUIREMENTS**



**STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS**  
for Loans/Funding made by the County

**INDEMNIFICATION:** BORROWER 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 BORROWER 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.

BORROWER 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 BORROWER's indemnification of the COUNTY, BORROWER 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 BORROWER in default. Upon request by the COUNTY, BORROWER shall provide a certified copy of any insurance policy to the COUNTY within ten (10) working days.

A. **Workers' Compensation Insurance:** Statutory Workers' Compensation and Employers Liability Insurance shall cover all BORROWER'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 BORROWER 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 BORROWER has no employees as defined in Labor Code Section 3350 et seq. during the entire period of this Agreement and BORROWER submits a written statement to the COUNTY stating that fact.

B. **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 BORROWER and shall include contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the BORROWER in the indemnity and hold harmless provisions [above] of the Indemnification Section of this Agreement between COUNTY and BORROWER. The automobile liability insurance shall cover all owned, non-owned and hired motor vehicles that are operated on behalf of BORROWER pursuant to BORROWER's activities hereunder. 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 and automobile liability insurance shall not be less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate. 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 BORROWER 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.

BORROWER 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 BORROWER may be held responsible for payment of damages resulting from BORROWER'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 BORROWER is not able to comply with the COUNTY'S insurance requirements, COUNTY may, at their sole discretion and at the BORROWER'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. BORROWER agrees to execute any such amendment within thirty (30) days of acceptance of the amendment or modification.

C. Property Insurance. The Property Insurance shall provide all risk property coverage on a replacement cost basis for the Facility and Site. COUNTY shall be included as an additional loss payee on any Property Insurance policy. Said Property Insurance shall contain an agreement under which the insurance company or companies supplying said policy shall notify COUNTY in writing at least thirty (30) days prior to cancellation of all or any part of such policy.

In the event of any loss to any property that is subject to this Contract which is caused by any occurrence that is covered by such all risk property insurance, BORROWER shall be responsible for any payment of any deductible.

All property insurance carried by BORROWER shall include provisions denying to the insurer, acquisition by subrogation of rights of recovery against the other party to the extent the rights have been waived by the insured prior to occurrence of loss or injury.



**EXHIBIT F**  
**REGULATORY AGREEMENT**





2007-0011375

NO FEE DOCUMENT

Recorded	REC FEE	0.00
Official Records		
County of	CONFORMED COPY	1.00
Santa Barbara		
Joseph E. Holland		
	RS	
08:00AM 15-Feb-2007	Page 1 of 13	

Recording requested by and  
When recorded, mail to:

County of Santa Barbara  
105 East Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Housing and Community Development

NO FEE DOCUMENT PURSUANT TO  
GOVERNMENT CODE SECTION 27383

77800570Y

*13  
file  
cc*

**REGULATORY AGREEMENT**

This Regulatory Agreement (the "Agreement") is made this 31<sup>st</sup> day of January, 2007 by and between the County of Santa Barbara, a political subdivision of the State of California (the "Lender"), and Ted Zenich Gardens, L.P., a California limited partnership (the "Owner").

**RECITALS**

A. The Owner has acquired and wishes to develop a parcel of real property at 1034 East Chapel Street in the City of Santa Maria, in Santa Barbara County, as more particularly described in Exhibit A (the "Property") upon which the Owner intends to develop 24 units of multi-family rental housing (the "Project").

B. The Lender has received HOME Investment Partnership 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 One Million Four Hundred Fifty-Six Thousand One Hundred Eighty-Eight Dollars (\$1,456,188) to finance the acquisition and development of the Property (the "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 Project. 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:

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:

### DEFINITIONS

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

1. **"ASSISTED UNIT"** means each one of the eleven (11) Assisted Units with restricted occupancy and rents as set forth in this Agreement.
2. **"AREA MEDIAN INCOME"** means the median income for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area, with adjustments for household size, as determined from time to time by 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.
3. **"DEED OF TRUST"** means that certain deed of trust assignment of rents and security agreement, recorded on the Property as security for the 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.
4. **"LENDER"** is the County of Santa Barbara, political subdivision of the State of California, and its officers, officials, directors, employees, agents and authorized representatives.
5. **"LOAN"** means the Loan made by the Lender to the Owner for the Project pursuant to the Loan Agreement and the Note.
6. **"LOAN AGREEMENT"** is the Loan Agreement executed by and between the Owner and the Lender, setting forth the terms and conditions governing the Loan.
7. **"LOAN DOCUMENTS"** are collectively the Loan Agreement, the Note evidencing the Loan, the Deed of Trust securing the 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.
8. **"NOTE"** means the promissory note executed by the Owner in favor of the Lender in the amount of One Million Four Hundred Fifty-Six Thousand One Hundred Eighty-Eight Dollars (\$1,456,188) to evidence the Loan, which is secured by the Deed of Trust, as well as any amendments to, modifications of, or restatements of said promissory note.
9. **"OWNER"** means Ted Zenich Gardens, L.P., a California limited partnership.

10. "PROJECT" means the Twenty-Four (24) units of multi-family housing to be developed on the Property according to the terms of the Loan Agreement, and all parking, landscaping, and other improvements appurtenant thereto.

11. "PROPERTY" means the real property described in Exhibit A attached hereto and incorporated herein, including the Project to be developed thereon pursuant to the Loan Agreement.

12. "QUALIFYING HOUSEHOLD" means a household that qualifies as a Very Low-Income Household.

13. "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/Lompoc Primary Metropolitan Statistical Area as determined by HUD with adjustments for household size.

14. "TERM" means the term of this Agreement described herein.

15. "UNIT" means a housing unit in the Project.

16. "VERY LOW-INCOME HOUSEHOLD" means a household whose annual income does not exceed fifty percent (50%) of the Area Median Income as determined by HUD with adjustments for smaller and larger households.

### THE OWNER'S OBLIGATIONS

17. **COMPLIANCE WITH LOAN DOCUMENTS.** The Owner's actions with respect to the Property and the use of funds from the 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.

18. **TERM OF AGREEMENT.** This Agreement shall commence upon execution and shall remain in full force and effect until fifty-five (55) years following the date of issuance of a final Certificate of Completion for the Project.

19. **COMPLIANCE WITH PROGRAM REQUIREMENTS.** The Owner shall comply with all requirements imposed on projects assisted under the HOME program as contained in 42 U.S.C. 12701, et seq., 24 CFR Part 92, and other implementing rules and regulations.

## DEVELOPMENT OCCUPANCY AND RENTS

20. **OCCUPANCY OF DEVELOPMENT.** Eleven (11) Units in the Project shall be designated as Assisted Units. The Assisted Units must be occupied, or reserved for occupancy by, Qualifying Households.

21. **ASSISTED UNITS.** The Owner shall limit for the full term of this Agreement the rental of all Assisted Units, to Very Low- Income Households at rents that do not exceed the maximum rental charges for each Assisted Unit as set forth in this Agreement. The eleven designated Assisted Units shall meet the following standards:

- A. Be similarly constructed and of comparable quality to all other units in the Project and;
- B. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

The size of the Assisted Units shall be as follows:

Two Two-bedroom Units  
Six Three-bedroom Units  
Three Four-bedroom Units

## **22. MAXIMUM RENTAL CHARGES.**

(a) For a household occupying an Assisted Unit, the total monthly charges for rent, utility allowances, and any related services that the HOME program considers in limiting the housing cost shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of Area Median Income.

(b) Initial maximum rents for each Assisted Unit shall be set by the Lender at the time of initial occupancy of the Project. The initial lease and all subsequent leases for each household occupying an Assisted Unit shall provide for a term of no less than twelve (12) months. Rents shall be increased no more than once annually and annual rent increases shall be calculated by the Owner and the Lender based on the change in permissible rents published annually by HUD. At least sixty (60) calendar days prior to increasing rents on any Assisted Unit, the Owner shall submit to the Lender for review and approval a written request for such increase, which the Lender shall approve if the increased rent will comply with any applicable HOME Fund requirements. Households occupying Assisted Units shall be given at least thirty (30) days written notice prior to any rent increase.

23. **INCOME CERTIFICATION AND INCREASES IN TENANT INCOMES.** The income levels and other qualifications of Very Low-Income Household applicants for Assisted Units shall be certified prior to initial occupancy and recertified yearly by the Owner. In the event that recertification of a Very Low-Income Household's income 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 as permitted by HUD to no more than

30% of 1/12 of the household's income, and the household may be permitted to continue to occupy the Unit. In such event, Owner shall rent the next available Unit with a similar bedroom count to a Qualified Household at no more than the rent set forth in Section 21. Upon such rental, the Unit occupied by the non-qualified household shall no longer be classified as an Assisted Unit and the newly rented unit to a Qualified Household shall be deemed an Assisted Unit.

#### **24. LEASING THE DEVELOPMENT.**

(a) Before leasing any Assisted Unit, the Owner shall submit its proposed lease for the 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 CFR Section 92.253(b) and any modifications thereto. Any termination of the Lease or refusal to renew must be in conformance with 24 CFR 92.253(c), as amended, and must be preceded by not less than thirty (30) days written notice to the tenant by the Owner specifying the grounds for the action. The Owner shall include in leases for all 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 Assisted Units provisions which prohibit the household from subleasing the Assisted Unit.

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

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

**26. 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 Project which have the effect of precluding occupancy of units by such prospective tenants.

**27. 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.

28. **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. The Owner shall also comply with the Lender's Nondiscrimination ordinance.

29. **MARKETING PLAN.** No later than thirty (30) days following the date of commencement of construction work, the 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.

### **PROPERTY MANAGEMENT**

30. **MANAGEMENT RESPONSIBILITIES.** The Owner is responsible for all management functions with respect to the Project, 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 Project. 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.

31. **APPROVAL OF MANAGEMENT POLICIES.** The Owner shall submit its written management policies with respect to the Project 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.

32. **INSPECTION AND RECORDS.** The Owner shall maintain records that 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 Project 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.



33. **ANNUAL REPORT.** The Owner shall submit to the Lender (i) not later than March 1st of each year, a report for the preceding period of February 1st through December 31st, showing the necessary information to allow the Lender to determine the Owner's compliance with this Agreement, and (ii) within thirty (30) days after receipt of a written request, 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 Lender.

34. **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.

35. **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.

### GENERAL PROVISIONS

36. **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.

37. **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. Notwithstanding anything to the contrary contained herein, a cure by the limited partner of Borrower shall be accepted as if cured by the Borrower itself. 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 Project, 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 Project 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.

38. **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.

39. **INDEMNITY.** The Owner shall indemnify and hold the Lender free and harmless against any losses, damages, liabilities, claims, demands, judgments, actions, court costs, and legal or other expenses (including attorneys' fees) which the Lender may incur as a direct or indirect consequence of the Owner's failure to perform any obligations as and when required by this Agreement. This indemnity obligation shall not extend to any claim arising solely from the gross negligence or willful acts of the Lender, its agents, and its employees. The Owner's duty to indemnify the Lender shall survive the term of this Agreement.

40. **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.

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

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

43. **TIME.** Time is of the essence in this Agreement.

44. **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.

45. **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  
105 E. Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attn: Housing Finance and Development Division

Owner:

Ted Zenich Gardens, LP  
815 W. Ocean Ave.  
Lompoc, CA 93436  
Attn: Executive Director

With a copy to Owner's limited partner at

Apollo Housing Capital LLC  
600 Superior Avenue, Suite 2300  
Cleveland, Ohio 44114

46. **BINDING UPON SUCCESSORS.** 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 Loan or Note, any reconveyance of the Deed of Trust, or any conveyance or transfer of the Property or portion thereof.

47. **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.

48. **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.

49. **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.

50. **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 Borrower have caused this Regulatory Agreement to be executed by their duly authorized representatives.

COUNTY:

County of Santa Barbara,  
Political subdivision of the State of California

APPROVED AS TO FORM:

STEPHEN SHANE STARK  
COUNTY COUNSEL

By: Brooks Firestone  
Brooks Firestone  
Chair, Board of Supervisors

By: [Signature]  
Deputy County Counsel

APPROVED AS TO FORM:

BOB GEIS  
AUDITOR CONTROLLER

By: [Signature]  
Mark Paul  
Senior Financial Analyst

OWNER:

Ted Zenich Gardens, L.P., a  
California limited partnership  
\*\*

By: [Signature]  
Name: Frederick C. Leonard  
**SIGNATURE MUST BE NOTORIZED**

\*\*By: Surf Development Company, a California  
non-profit public benefit corporation  
its managing general partner

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

Escrow No.: 06-77800570-LS  
Locate No.: CACTI7742-7742-4778-0077800570  
Title No.: 06-77800570-MS

**EXHIBIT "A"**

*Legal description*

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SANTA MARIA, COUNTY OF Santa Barbara, STATE OF CA AND IS DESCRIBED AS FOLLOWS:

Lot 120 of Townhomes East Tract No. 5121, in the City of Santa Maria, County of Santa Barbara, State of California, as per map recorded in Book 92, Pages 30 to 35, inclusive, of Maps, in the Office of the County Recorder of said County.

Together with the Northerly 15' of that certain alley as abandoned by the City of Santa Maria per Resolution 81-275, recorded July 15, 1981 as Instrument No. 81-29064 and re-recorded September 24, 1981 as Instrument No. 81-39466 of Official Records, Santa Barbara County, lying within the Southerly extension of the Westerly and Easterly lines of Lot 120.

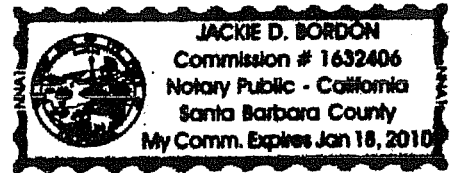
State of CALIFORNIA ) ss

County of SANTA BARBARA ) ss

On JAN. 31, 2007 before me, JACKIE D. BORDON, a Notary Public in and for said County and State, personally appeared FREDERICK C. LAMONT, personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the person(s) whose name is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~she/he/they~~ executed the same in ~~her/his/their~~ authorized capacity, and that by ~~her/his/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Jackie D Bordon



State of \_\_\_\_\_ ) ss

STATE OF CALIFORNIA

COUNTY OF Santa Barbara

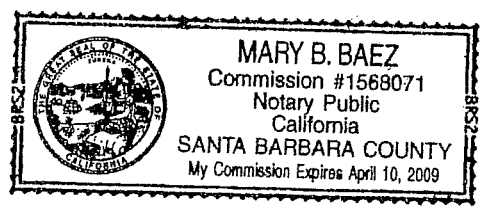
On 2-13-07 before me, MARY B. BAEZ, Notary Public  
(Name of Notary Public)

personally appeared Brooks Firestone

personally known to me (or 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.

WITNESS my hand and official seal.

Mary B. Baez  
(Signature of Notary Public)



(This area for notarial seal)





**EXHIBIT G**  
**PROJECT SCOPE OF WORK**



**DEVELOPMENT BUDGET**  
 Ted Zenich Gardens  
 Santa Maria, CA

	Total Project Costs	Tax Credit Eligible Basis	Tax Assessor's Basis
<b>Total Land Costs</b>	\$ 618,580	\$ -	\$ 618,580
<b>Total Acquisition Costs</b>	\$ -	\$ -	\$ -
<b>New Construction and/or Rehabilitation</b>			
Off Site Work	\$ -	\$ -	\$ -
On Site Work	\$ 690,171	\$ 690,171	\$ 690,171
Structures	\$ 4,760,927	\$ 4,760,927	\$ 4,760,927
General Requirements	\$ 213,500	\$ 213,500	\$ 213,500
Contractor Overhead	\$ 108,212	\$ 108,212	\$ 108,212
Contractor Profit	\$ 432,850	\$ 432,850	\$ 432,850
Construction Contingency	\$ -	\$ -	\$ -
<b>Total Construction Costs</b>	\$ 6,205,660	\$ 6,205,660	\$ 6,205,660
<b>Financing Costs</b>			
Construction Loan Interest	\$ 145,000	\$ 145,000	\$ -
Construction Loan or LOC Fee	\$ 24,851	\$ 24,851	\$ -
Cons. Lender Costs (Legal, Inspections, Etc.)	\$ 15,000	\$ 15,000	\$ -
Bridge Loan Fee & Bridge Loan Legal Costs	\$ -	\$ -	\$ -
Permanent Loan Fees	\$ 20,000	XXXXXXXXXXXXXX	\$ -
Permanent Loan Costs	\$ 10,000	XXXXXXXXXXXXXX	\$ -
Tax Credit Fees	\$ 55,124	XXXXXXXXXXXXXX	\$ -
Trustee Fees & Costs	\$ -	XXXXXXXXXXXXXX	\$ -
Bond Counsel & Bond Purchaser Legal	\$ -	XXXXXXXXXXXXXX	\$ -
<b>Total Financing Costs</b>	\$ 269,975	\$ 184,851	\$ -
<b>Soft Costs</b>			
Architectural	\$ 520,871	\$ 520,871	\$ -
Engineering/Surveying/Environmental	\$ 38,528	\$ 38,528	\$ -
Taxes During Construction	\$ 2,993	\$ 2,993	\$ -
Insurance	\$ 82,662	\$ 82,662	\$ -
Title & Recording	\$ 31,590	\$ 31,590	\$ -
Borrower Attorney	\$ 39,335	\$ 39,335	\$ -
Appraisal	\$ 8,800	\$ 8,800	\$ -
Local Tap, Building Permit, & Impact Fees	\$ 814,109	\$ 814,109	\$ -
Marketing	\$ 17,038	XXXXXXXXXXXXXX	\$ -
Relocation	\$ -	\$ -	\$ -
Furnishings	\$ 7,500	\$ 7,500	\$ -
Cost Certification	\$ 5,000	\$ 5,000	\$ -
Market Study	\$ 6,682	\$ 6,682	\$ -
Soft Cost Contingency	\$ 5,443	\$ 5,443	\$ -
Developer Overhead & Profit	\$ 1,148,924	\$ 1,148,924	\$ -
Consultant Fee	\$ -	\$ -	\$ -
<b>Total Soft Costs</b>	\$ 2,729,475	\$ 2,712,437	\$ -
<b>Reserves</b>			
Lease-Up Interest Reserve	\$ 30,000	XXXXXXXXXXXXXX	\$ -
Operating Reserves	\$ 46,400	XXXXXXXXXXXXXX	\$ -
<b>Total Reserve Costs</b>	\$ 76,400	XXXXXXXXXXXXXX	\$ -
<b>Total Project Costs</b>	\$ 9,900,090	\$ 9,102,948	\$ 6,824,240



**EXHIBIT H**  
**MANAGEMENT PLAN**



## EXHIBIT A

### MANAGEMENT PLAN

PROJECT: Ted Zenich Gardens, Santa Maria, California  
OWNER: Ted Zenich Gardens LP  
MANAGING AGENT: Housing Authority of the County of Santa Barbara (Agent)

Management of Ted Zenich Gardens 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 offices in Lompoc and Santa Maria, 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 Santa Maria 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

Rent Roll and Service Charge Collection Management  
Rent Delinquencies  
Security Deposit Collection and Refunds  
Eviction

## MAINTENANCE

Routine repairs and replacements  
Non-Routine repairs and replacements  
Extraordinary Maintenance  
Property Betterments and Additions  
Preventive Maintenance

## TENANT RELATIONS AND SERVICES

Tenant Services  
Tenant Grievances and Problems  
Housing Rules and Policies

More detailed descriptions of the above-listed typical activities are as follows:

### RENT-UP AND OCCUPANCY

Appropriate Agent staff will:

- 1) Determine and certify eligibility of all new residents, including screening, selection and orientation of residents and establishment of a waiting list in accordance with Agent's Affirmative Fair Housing Marketing Plan and appropriate eligibility criteria as established by Agent in compliance with local, State and Federal regulations. Tenant selection and assignment will be made based on the relevant sections in Agent's Public Housing Statement of Policies.
- 2) Annually re-determine and certify eligibility and rent payments for all tenants, based on the relevant sections in Agent's Public Housing Statement of Policies.
- 3) Conduct all 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 Santa Maria 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 Santa Maria 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.

**EXHIBIT I**  
**MARKETING PLAN**



## 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.

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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.



**EXHIBIT J**  
**SUPPORTIVE SERVICES PLAN**





**TED ZENICH GARDENS**  
**SANTA MARIA, CALIFORNIA**

**SUPPORTIVE SERVICES PLAN**

**PROGRAM DESCRIPTION:**

Supportive Services will be provided through partnerships with the Santa Maria community-based, faith-based, local school districts, non-profits, and volunteers. Program focus will be on activities that will encourage self sufficiency efforts. Services to be provided will address the requested needs of the families living in Zenich Gardens. Keeping in mind that quality of life is paramount for the families, we will also offer some recreational activities to the residents. The formation of a Resident Board will help guide the choices of activities that will be provided to the resident families.

On-site activities to be provided will include: ongoing after school programs for school age children, such as; arts and crafts activities, after school tutoring, Smart Kids Drug Diversion Program, provided by the Boys & Girls Club, computer-based learning programs that are age appropriate such as "Reader Rabbit" and various Mathblaster Programs.

Fesler Junior High School is adjacent to the complex and we will partner with the Santa Maria Bonita School District to utilize all applicable activities that are provided within the confines of the school.

Monthly resident meetings will be arranged to provide the opportunity for Residents to meet with management and discuss observations, concerns and suggestions they may have to better life at Zenich Gardens.

Adult ESL classes will be provide at no cost by the Central Coast Literacy Council to any residents choosing to participate, as well as any neighbors in our surrounding community. A large library of life-skills computer-based programs will be available to residents such as; Learn Excel, Learn Word, Learn Your Computer and other courses such as: budgeting, how to look for a job, how to dress for an interview, etc.

We will partner with the Mid-State Bank & Trust to provide FDIC Money-smart Financial Literacy classes. We have initiated the classes in one Public Housing Complex in Santa Maria and they have been most successful as well as helpful to those interested in first-time home buying.

The Resident Board will be encouraged to become an active partner in marketing the services to be provided. The Resident Initiatives Coordinator will be available as needed to provide linkages to needed and requested services within the community. Resource directories; both hard copy and on-line, as well as informational brochures and

publications will be provided which will build a data base of local resources available in the surrounding community.

**PROGRAM GOALS:**

The program goals are: (1) to provide the opportunity for increased employment and educational skills through free, accessible computer-related training, on-site adult educational classes, workshops, and monthly resident meetings. (2) to empower residents with the skill and knowledge to encourage self-advocacy through the availability of public access information and referral services as well as tenant volunteer participation in such services. (3) to promote greater community awareness through community-building activities for the Resident Board.

**PROGRAM INCENTIVES:**

Staff will encourage resident participation by providing incentives which may include but not be limited to: free refreshments at monthly meetings, door prizes, letters of references for volunteer hours performed, recognition in the resident newsletter, and certificate of completion or achievement for classes completed.

**PROGRAM NOTIFICATION:**

Residents will be notified of all activities and scheduled events through hand delivered written flyers and meeting notices as well as through the resident newsletter and through word of mouth. Also meeting notices will be posted in the management office and throughout the complex.

**PROGRAM COORDINATION WITH COMMUNITY:**

Management provides on-going resident services throughout other sites and maintains a close working relationship with community-based, faith-based, non-profits and individual businesses as well, who are willing to provide requested and needed services to resident families. Through Coordinating Committee meetings with our community partners, we are able to continue to support the needs of the residents and surrounding area families. Staff will work with all community entities available to provide on-site educational and recreational activities which will address the overall health and wellness of the total family.