

**COUNTY HOME LOAN AGREEMENT
(\$180,000)**

Between

County of Santa Barbara

and

1758 Laurel Ave., L.P.

**(Solvang Senior Apartments Affordable Housing
Project)**



**HOME Investment Partnerships Program
Catalog of Federal Domestic Assistance Number 14.239**

**COUNTY HOME LOAN AGREEMENT
(SOLVANG SENIOR APARTMENTS AFFORDABLE HOUSING PROJECT)**

This agreement ("County HOME Loan Agreement") is made as of this 14th day of October, 2014, by and between the County of Santa Barbara, political subdivision of the State of California ("Lender"), and 1758 Laurel Ave., L.P., a California Limited Partnership ("Borrower").

RECITALS

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

B. There is a need to provide affordable rental housing to senior persons, as documented in the County's 2010-2015 Consolidated Plan.

C. Borrower intends to construct a forty-five unit rental housing project (Project) consisting of forty-one (41) one-bedroom units and four (4) two-bedroom units in a three-story corridor style building serviced by an elevator. The Project will be targeted to seniors with household incomes up to sixty-percent of the Area Median Income (AMI) as determined by HUD and published annually. One two-bedroom unit will be designated as a manager's unit not subject to income and rent limits. The Project will include a community room with computer lab, kitchen and space for resident services programs and classes. Open space will be provided for outdoor enjoyment, which will include gardens and passive recreation areas. There will be forty-five parking spaces, including two handicapped-accessible spaces. The Project will be located at 1758 Laurel Avenue in the city of Solvang, California, as more particularly described in Exhibit A ("Legal Description").

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

E. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan of HOME funds in the total amount of One Hundred Eighty Thousand Dollars (\$180,000) to pay for certain development costs ("County HOME Loan"). The terms of the County HOME Loan are set out in this County HOME Loan Agreement.

F. Pursuant to the FY 2014-15 Annual Action Plan Substantial Amendment approved by the Board of Supervisors of the County of Santa Barbara ("Board") on October 14, 2014, HOME funding has been designated for the Project, and on October 14, 2014, the Board approved the County HOME Loan and authorized the Chair of the Board to execute the County HOME Loan Agreement and related documents.

G. The Lender and Borrower reasonably expect that construction of the Project will commence within one year of execution of this Agreement.

H. Borrower will execute a document concurrently herewith restricting rents and tenant income titled County HOME Loan Regulatory Agreement and Declaration of Restrictive Covenants

("County HOME Loan Regulatory Agreement") affecting one (1) of the forty five (45) affordable housing units that will be designated by Borrower as the HOME-assisted unit.

I. The County HOME Loan will be evidenced by a promissory note in the amount of One Hundred Eighty Thousand Dollars (\$180,000) executed by Borrower in favor of Lender, and the County HOME Loan and promissory note will be secured by a deed of trust.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the County HOME 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 County HOME Loan Agreement, attached Exhibits, or documents incorporated into this County HOME Loan Agreement by reference.

1.1 **"AFFIRMATIVE MARKETING"** means actions taken to provide information and otherwise attract eligible persons in the housing market area to the available housing that are not likely to apply without special outreach, without regard to race, color, national origin, sex, religion, familial status or disability, in conformance with 24 CFR 92.351.

1.2 **"ANNUAL FINANCIAL STATEMENT"** means the financial statement of Operating Expenses and Revenue, prepared at Borrower's expense, by an independent certified accountant acceptable to Lender, which shall be provided as part of Borrower's annual reporting to Lender, in conformance with Section 5.12 below.

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

1.4 **"BORROWER"** means 1758 Laurel Ave., L.P., a California limited partnership, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

1.5 **"BUDGET"** means that budget for the construction of the Project attached hereto as Exhibit B, which is hereby incorporated into this County HOME Loan Agreement by this reference and which identifies the sources and uses of Project development costs and specifies the costs to be paid with County HOME Loan proceeds in conformance with 24 CFR 92.206.

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

1.7 **"COUNTY HOME LOAN"** means the loan of HOME funds in the amount of One Hundred Eighty Thousand Dollars (\$180,000) as provided in this County HOME Loan Agreement to finance certain construction costs of the Project.

1.8 **"COUNTY HOME LOAN AGREEMENT"** means this loan agreement entered into between Lender and Borrower.

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

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

1.11 **“COUNTY HOME LOAN NOTE”** means the promissory note executed by the Borrower in favor of Lender in the amount of One Hundred Eighty Thousand Dollars (\$180,000), to evidence the County HOME Loan as well as any amendments to, modifications of, or restatements of said promissory note, substantially in the form attached hereto as Exhibit D, which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.12 **“COUNTY HOME LOAN REGULATORY AGREEMENT”** means the agreement executed by Borrower and Lender, attached as Exhibit E, and recorded against the Property which regulates the use of the one (1) HOME-Assisted Unit in the Project.

1.13 **“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.

1.14 **“HOME AFFORDABILITY PERIOD”** means the twenty (20) year term during which the HOME-Assisted Unit must meet the affordability requirements imposed under the HOME Program, commencing upon project completion in conformance with 24 CFR 92.2 and 24 CFR 92.252(e).

1.15 **“HOME-ASSISTED UNIT”** means any one of the forty-five (45) rental housing units on the Property designated by Borrower as the HOME-Assisted unit subject to the requirements of the County HOME Loan Regulatory Agreement (Exhibit E), which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.16 **“HOME FUNDS”** means funds provided to Borrower by Lender pursuant to the terms of this County HOME Loan Agreement and as defined in 24 CFR 92.2.

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

1.20 **“INSURANCE REQUIREMENTS”** means the insurance coverages which must be in full force and effect during the term of this County HOME Loan Agreement, as specified in Exhibit F.

which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

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

1.23 **“LIMITED PARTNER”** means the person or entity that provided a cash investment in the Project in return for the annual tax credits awarded to the Borrower by the California Tax Credit Allocation Committee. The limited partner will retain a 99.99% ownership of the Project but will have no responsibility for the daily operations of the Project. The limited partner and Corporation for Better Housing, the general partner which will retain .01% ownership of the Borrower, will enter into a partnership agreement.

1.24 **“OPERATING EXPENSES”** means, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, annual County monitoring fee, in the amount of \$2,500.00, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses and capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender or the Limited Partner, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under the Senior Loans, to Alliant Capital, Ltd. or its affiliate an annual asset management fee of \$6,000 increasing annually based on annual increased in consumer price index (CPI) and to pay and deferred developer fee. The Operating Expenses shall be reported in the Annual Financial Statement.

1.25 **“PAYMENT DATE”** means the first day of April following recordation of a notice of completion issued for the Project and each April 1st thereafter until the County HOME Loan is paid in full..

1.26 **“PROJECT”** means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of this County HOME Loan Agreement and as defined in 24 CFR 92.2.

1.27 **“PROPERTY”** means the property located at 1758 Laurel Avenue, Solvang, California, as more particularly described in Exhibit A, which is attached hereto and hereby incorporated into this County HOME Loan Agreement by this reference.

1.28 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as a Very Low-Income Household as defined in 24 CFR 92.2.

1.29 **“QUALIFYING RENT”** means the total monthly charges for rent, which shall not exceed either

a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111, or

b) one twelfth (1/12) of thirty percent (30%) of the annual income of a family whose income equals fifty percent (50%) of Area Median Income with adjustments for household size in accordance with 24 CFR 92.252(b).

In accordance with 24 CFR 92.252(d), if the tenant pays for utilities and services (excluding telephone), then the Qualifying Rent shall be reduced by the maximum monthly allowance for utilities and services using the annual HUD Utility Schedule Model or other annual utility schedule as determined by the County.

1.30 This paragraph is left intentionally blank.

1.31 **“RESIDUAL RECEIPTS”** means the excess of annual Revenue over annual Operating Expenses. The use of Residual Receipts shall be to first pay the following items: To the limited partner for any unpaid tax credit adjuster amount; to the limited partner to repay any limited partner loans;; to the General Partner the amount of \$6,000 annually, adjusted annually based on the annual increase in the CPI; to Corporation for Better Housing the amount of \$7,450 annually for a period of ten years for the provision of Social Services to tenants; to replenish operating reserves if applicable;; and to pay any guaranty advances made by the general partner. Second, fifty percent (50%) of remainga residual receipts shall go to Borrower as distribution, percent (16%) to repay the County’s HOME loan pusuant to the County loan documents; and Thirty-four percent (34%) to repay the Corporation for Better Housing loan. Any remaining funds will be paid 0.01% to the general partner and 99.99% to the limited partner.

1.32 **“REVENUE”** means all income derived from the Project, including, but not limited to, rents from the units and income from laundry operations, vending machines, meeting space rental, storage, and parking.

1.33 **“SENIOR LOANS”** mean the Pacific Western Bank loan in first position in the estimated amount of Seven Million Three Hundred Forty Thousand Dollars (\$7,340,000) construction loan, which will convert to a permanent loan in the estimated amount of One Million Two Hundred Sixty One Thousand Six Hundred Dollars (\$1,261,600) also provided by Pacific Western Bank.

1.34 **“TERM”** means the period of time commencing with the date of the County HOME Loan Note and terminating fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project.

1.35 **“VERY LOW-INCOME HOUSEHOLD”** means a household, as defined in 24 CFR 92.2, whose annual income does not exceed fifty percent (50%) of Area Median Income with adjustments for household size.

ARTICLE 2 TERMS OF THE COUNTY HOME LOAN

2.1 **COUNTY HOME LOAN.** On and subject to the terms and conditions of the County HOME 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 County HOME Loan shall be an amount not to exceed One Hundred Eighty Thousand Dollars (\$180,000) and shall be evidenced by the County HOME Loan Note. In the event Lender is unable to secure HOME Funds for this County HOME Loan Agreement for any reason at any time during the course of construction, Lender shall not be obligated to make payments to Borrower until HOME Funds become available to Lender, and Borrower shall hold Lender harmless.

2.3 **INTEREST.** Subject to the provisions of Section 2.4, the County HOME Loan Note shall bear simple interest at a rate of three percent (3%) per annum from the date of the first disbursement under the County HOME Loan Note. Interest is not compounding.

2.4 **DEFAULT INTEREST.** In the event of a default by Borrower of any of its obligations under this County HOME Loan Agreement and expiration of applicable cure periods, Borrower shall pay to Lender interest on the outstanding principal of the County HOME Loan, at an annual rate equal to the lesser of (i) ten percent (10%) or (ii) the highest interest allowed by law, in addition to the interest rate in Section 2.3 above, from the date of the default until the date that the default is cured or the County HOME Loan is repaid in full. The default interest shall be paid monthly and is due to the County on the first day of each month.

2.5 **TERM OF COUNTY HOME LOAN.** The principal and interest of the County HOME Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project, or (b) the date the Property is sold or otherwise transferred, except, if Borrower is a limited partnership and the affordability covenants are maintained for the duration of the original County affordability period, for a transfer to the General Partner of the Borrower or, a Lender approved affiliate thereof, or (c) Borrower has failed to commence construction as set forth in Section 4.1 of this County HOME Loan Agreement, or (d) an event of default by Borrower, as defined below in Section 8.1, which has not been cured as provided for below in Section 8.2. In the event of default by Borrower, as defined below in Section 8.1, which has not been cured as provided for below in Section 8.2, the principal and all current and accrued interest shall be due and payable in accordance with Section 8.3. In any event, the principal and all current and accrued interest shall be due and payable no later than June 30, 2046.

2.6 **USE OF HOME FUNDS.** HOME Funds shall be used only for those certain construction costs specified in the Budget attached hereto as Exhibit B and shall only be disbursed in accordance with the provisions of Article 3. Budget modifications may be approved in accordance to Section 9.2 of this Agreement; provided that costs are eligible under 24 CFR 92.206, and that the level of Environmental Review completed under the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.), and applicable related environmental authorities at 24 CFR 50.4, and HUD's implementing regulations at 24 CFR Parts 50 and 58 remains applicable. HOME Funds shall be utilized for costs related to residential uses only and shall not be utilized for costs related to commercial uses or any other nonresidential uses associated with the Project.

2.7 **SECURITY.** Borrower shall secure its obligation to repay the County HOME Loan by executing a County HOME Loan Deed of Trust, in substantially the form attached hereto as Exhibit C and recording it as a lien against the Property, subordinate only to the Senior Loans. Upon closing, Borrower shall cause the recordation of the County HOME Loan Deed of Trust, and the County HOME Loan Regulatory Agreement with the Recorder for the County of Santa Barbara, and shall cause the delivery of conformed copies of the recorded documents to Borrower.

2.8 **REPAYMENT OF THE COUNTY HOME LOAN.** All accrued interest and principal shall be due and payable in accordance with the terms set forth in Section 2.5.

No repayment is due under the County HOME Loan until construction of the Project is complete. Payments shall commence on the first day of April following recordation of a notice of completion issued for the Project. Borrower shall make annual payments on the County HOME Loan from Residual Receipts in the manner set forth in Section 1.31 herein. On or before each Payment Date the Borrower

shall submit the Annual Financial Statement to Lender for the preceding calendar year. All payments made by Borrower shall be applied as follows: first to pay current annual interest due, if any; then to the cumulative interest owed, if any; then to reduce the principal amount of the County HOME Loan.

2.8.1 DISPUTE RESOLUTION. 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, no later than within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request an audit by an independent CPA.

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

2.10 ANNUAL OPERATING EXPENSES. Thirty (30) days prior to the end of each calendar year, Borrower shall submit to Lender, for Lender's review and approval, a proposed operating budget for the Project, for the following calendar year. The proposed operating budget shall include scheduled payments to be made into operating and replacement reserve accounts. Actual Operating Expenses incurred by Borrower shall not exceed one hundred twenty percent (120%) of the amount approved by Lender in the approved operating budget without Lender's prior written consent.

2.11 OPERATING AND CAPITAL REPLACEMENT RESERVE FUNDS. Borrower shall fund a capital replacement reserve in the amount of not less than Two Hundred Fifty Dollars (\$250) per unit per year and shall capitalize an operating reserve in the amount of six months of principal and interest on the Pacific Western Bank loan, or \$81,000, whichever is greater. The balance of Operating and Replacement Reserve Funds shall be reduced on a dollar-for-dollar basis by any such reserves required by and held with senior lenders. Reserve balances shall be provided in the Annual Financial Statement submitted to Lender annually.

ARTICLE 3 COUNTY HOME LOAN DISBURSEMENT

3.1 CONDITIONS PRECEDENT TO DISBURSEMENT. Lender shall not be obligated to make any disbursements of HOME Funds or take any other action under the County HOME Loan Documents unless the following conditions precedent are satisfied prior to the disbursement of HOME Funds:

- A. Borrower has acquired title to the Property;
- B. There exists no Event of Default or any act, failure, omission or condition that with the giving of notice or passage of time would constitute an Event of Default;
- C. Borrower has executed and delivered to Lender all documents, instruments, and policies required under the County HOME Loan Documents, including but not limited to an ALTA Lender's policy of title insurance in the amount of One Hundred Eighty Thousand Dollars (\$180,000), from a title insurance company approved by the Lender in a form reasonably acceptable to Lender;

D. Borrower has provided to Lender certificates of insurance as specified in the insurance provisions set forth in Exhibit F;

E. Borrower has secured all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions;and

F. Borrower has complied with all reporting requirements set forth in this County HOME Loan Agreement in accordance with Section 3.2 and Section 5.11 as applicable.

3.2 DISBURSEMENT OF HOME FUNDS. Lender shall provide HOME Funds to Borrower for construction costs incurred by Borrower and approved by Lender in accordance with the Budget (Exhibit B). HOME Funds shall only be disbursed after the construction costs which are to be paid have been incurred. Borrower may not request disbursement of HOME Funds until needed for payment of those certain construction costs as specified in the Budget (Exhibit B). Disbursement of HOME Funds shall not exceed a total of One Hundred Eighty Thousand Dollars (\$180,000).

HOME Funds shall be disbursed through periodic payments based upon construction costs incurred and construction work completed, as evidenced by documentation supporting the completed work signed by the Project architect and verified by Lender. Borrower shall submit to Lender disbursement requests ("Written Disbursement Requests") in writing no more frequently than one time per month. Written Disbursement Requests shall include itemized invoices corresponding to the Budget (Exhibit B). Borrower shall also attach copies of receipts or other acceptable proof of payment by Borrower and that demonstrates date of payment. Borrower shall also attach copies of certified payroll reports current to within 21 calendar days of the date of the Written Disbursement Request documenting compliance with the Davis-Bacon Act, except for housing developments with fewer than twelve HOME-assisted units and federal assistance is limited to HOME funds, evidence of compliance with Section 3 of the Housing and Community Development Act of 1968 (12 U.S.C., 1701u) and 24 CFR Part 135 and evidence of compliance with the requirement to take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible pursuant to 24 CFR 85.36(e). Lender reserves the right to request additional documentation as necessary to comply with Federal, state and local regulations.

Written Disbursement Requests shall only be for items included in the Budget (Exhibit B). Changes in individual items comprising the Budget shall require the prior written request of Borrower and the written approval of Lender. However, Lender's obligations shall in no event exceed the amount specified above in Section 2.2. Any costs in excess of this amount that are necessary for the completion of the Project shall be the sole responsibility of Borrower.

Notwithstanding the above, as a special disbursement condition, Lender shall retain Ten Thousand Dollars (\$10,000) of HOME Funds until 30 days after Borrower has completed the construction of the Project and provided beneficiary data for the one (1) HOME-assisted unit of the Project as required under the HOME Program; and any and all liens against the Property are released.

ARTICLE 4 DEVELOPMENT OF PROJECT

4.1 COMMENCEMENT OF CONSTRUCTION. Borrower shall commence construction of the Project no later than 12 months from the execution of this County HOME Loan Agreement. Commencement of construction shall mean obtaining all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions and commencing work on any task

associated with a line item in the Budget (Exhibit B) at the Property that requires a permit, entitlement or approval. If Borrower fails to commence construction as set forth above, Lender may terminate this County HOME Loan Agreement pursuant to Article 8 below.

4.2 COMPLETION OF CONSTRUCTION. Borrower shall diligently pursue construction of the Project to completion, and shall complete construction of the Project and have the HOME-Assisted unit occupied by eligible tenants, no later than 18 months after commencement of construction. Borrower shall provide proof of completion as evidenced by the recording of a notice of completion and securing certificate(s) of occupancy.

4.3 FINANCING. Borrower shall promptly inform Lender in writing of any changes in the amount, terms, and/or sources of financing or funding for the Project.

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

Unless otherwise approved by Lender, to ensure that all construction costs incurred are reasonable and appropriate, all contracts entered into for construction (“Construction Contract”) shall be the result of either competitive or negotiated bids.

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

4.5 INSPECTIONS. Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the Project site by Lender and by public authorities during reasonable business hours for the purposes of determining compliance with this County HOME Loan Agreement. Copies of monthly construction inspection reports completed by the construction lender pursuant to their construction loan shall be provided to the County immediately upon completion of the construction inspection report throughout the course of construction.

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

4.7 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 described in the Budget (Exhibit B), the supervision of construction work, and 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 construction of the Project.

4.8 BARRIERS TO THE DISABLED. The Project shall be developed and the Property shall be maintained and operated to comply with all applicable federal, state, and local requirements for access for disabled persons, including but not limited to Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended, and with implementing regulations at 24 CFR, Part 8, and the Fair Housing Act (42 U.S.C. 3601-3619), implemented at 24 CFR Part 100, Subpart D. Within 30 days after Borrower has

completed the construction of the Project, Borrower shall submit satisfactory documentation of compliance with these requirements, including, but not limited to, a certification from the Project architect documenting the number and type of accessible units and the accessibility features of those units.

4.9 LEAD-BASED PAINT AND ASBESTOS REMOVAL. Borrower and its contractors and subcontractors shall not use lead-based paint or asbestos in the construction or maintenance of the Project and shall comply with Federal regulations set forth in 24 CFR Part 35, subparts A, B, J, K, M and R, , 29 C.F.R., 40 C.F.R., the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X (42 U.S.C., 4851, et seq.), the Lead-Based Paint Poisoning Paint Provision Act (42 USC 4821, et seq.), California O.S.H.A., California Health and Safety Code, and all other applicable Federal, state and County standards. Borrower shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Project which involve the application of paint or removal of asbestos.

4.10 QUALITY OF WORK AND PROPERTY STANDARDS. Borrower shall construct the Project in conformance with, including, but not limited to:

- A. All applicable Federal, state and local statutes and regulations;
- B. All applicable Federal, state and local building codes and zoning ordinances;
- C. All permits, entitlements and approvals for the Project;
- D. International Energy Conservation Code and applicable Federal, state and local energy conservation codes; and
- E. Property standards at 24 CFR 92.251.

4.11 MECHANICS LIENS AND STOP NOTICES. If any claim of lien is filed against the Property or a stop notice affecting the County HOME 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 adverse to or against Borrower.

Borrower shall record a valid notice of cessation or notice of completion upon cessation of construction 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 on the part of Lender, 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.

4.12 COMPLIANCE WITH HOME PROGRAM AND OTHER FEDERAL REQUIREMENTS. All requirements imposed on properties assisted under the HOME program as contained in 42 U.S.C. Sections 12701, et seq., 24 CFR Part 92, and other implementing rules and

regulations are incorporated herein by this reference. In the event of any conflict between this County HOME Loan Agreement and the HOME regulations, the HOME regulations shall govern.

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

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

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

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

D. Handicap Discrimination. The requirements of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and federal regulations issued pursuant thereto, which prohibits discrimination against the handicapped in any federally assisted program.

E. Environmental Review. The provisions of the National Environmental Policy Act of 1969 (NEPA) (42 U.S.C. 4321, et seq.), and applicable related environmental authorities at 24 CFR 50.4, and HUD's implementing regulations at 24 CFR Parts 50 and 58.

F. Fair Housing. The requirements of the Fair Housing Act (42 U.S.C. 3601-3619) and implementing regulations at 24 CFR Parts 100, 109 and 110; Executive Order 11063 (Equal Opportunity in Housing) and implementing regulations at 24 CFR Part 107; and Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d) (Nondiscrimination in Federally Assisted Programs) and implementing regulations issued at 24 CFR Part 1.

G. Prevailing Wages. If applicable, Borrower shall comply, and cause all contractors and subcontractors to comply with (1) Davis-Bacon and Related Acts (40 U.S.C. 3141, et seq.); (2) Contract Work Hours and Safety Standards Act, as amended (40 U.S.C. 327-333); (3) Copeland Anti-Kickback Act (40 U.S.C. 3145); and (4) Fair Labor Standards Act of 1938, as amended (29 U.S.C. 201 et. seq.).

H. Training Opportunities. The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, 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. Borrower agrees to include the following language in all contracts and subcontracts executed under this County HOME Loan Agreement, as required pursuant to 24 CFR 135.38:

"1. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent

feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

2. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

3. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

4. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

5. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

6. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

7. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b)."

I. Minority and Women's Business Enterprise. The requirements of Executive Orders 11625, 12432 and 12138 and 24 CFR 85.36(e) whereby Borrower shall take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible.

J. Conditions for Faith-Based Organizations. Borrower agrees to comply with HOME regulations pertaining to faith-based activities found at 24 CFR 92.257.

K. Debarred Contractors. All contractors, subcontractors, and consultants used by Borrower in the development of the Project shall not be debarred or otherwise prohibited from participation in a federal project pursuant to 2 CFR Part 2424. Borrower shall furnish Lender with evidence of compliance generated from the System for Award Management (SAM) at www.sam.gov.

L. Anti-Lobbying. Borrower hereby certifies that: (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement; (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and (3) It will require that the language of subparagraphs (1) and (2) of this paragraph (L) and the paragraph (M), immediately below, of this certification be included in the award documents for all awards and subawards at all tiers (including subcontracts, subgrants, contracts, and grants under grants, loans, and cooperative agreements) and that Borrower and all contractors and subcontractors shall certify and disclose accordingly.

M. Lobbying Certification. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

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

4.13 **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, including but not limited to the Uniform Relocation and Real Property Acquisitions Act As Amended (42 USC 4601, et seq.) ("URA"), Section 104(d) of the Housing and Community Development Act of 1974 (42 USC 5304(d)), regulations at 24 CFR Part 42 and 49 CFR part 24, and HUD Handbook 1378. 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. If, upon audit review by Lender or by any Federal agency, it is determined that additional relocation payments are due, then Borrower consents to make such payments. In the event Borrower does not make payments as requested by Lender, then this shall constitute an Event of Default, and subject to Borrower's cure rights. Lender may require repayment of the County HOME Loan plus any and all relocation payments due. Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and/or Exhibit F, Borrower hereby agrees to

indemnify Lender for any action brought against Lender based on an alleged failure to comply with relocation obligations on this Project.

4.14 UNAVOIDABLE DELAY IN PERFORMANCE. The time for performance of provisions of this County HOME Loan Agreement by either party shall be extended for a period equal to the period of any delay directly affecting the Project or this County HOME 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 ten (10) 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 (10) 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 County HOME 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 County HOME Loan Regulatory Agreement.

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

Borrower agrees that during the term of the HOME Regulatory Agreement, Lender shall have the right to review, approve and request material changes to the Management Plan as described in Section 5.2, below, and Exhibit G attached hereto and incorporated herein, operation of the Project and property management entity, in order to preserve the affordability, physical appearance and condition of the Project. Any changes not disapproved by Borrower within thirty (30) days after receipt of such changes shall be deemed approved.

5.2 MANAGEMENT PLAN. In the leasing and operation of the Project, Borrower shall comply with the Management Plan attached hereto as Exhibit G and incorporated herein. Any changes to the Management Plan require prior written approval from Lender.

5.3 AFFIRMATIVE MARKETING PLAN. In the marketing of the Project, Borrower shall comply with the affirmative marketing provisions of the Management Plan attached hereto as Exhibit G and incorporated herein. The Management Plan includes information on affirmative marketing efforts and compliance with fair housing laws. Any changes to the Management Plan require prior written approval from Lender. At a minimum the Project must meet the affirmative marketing requirements set forth in 24 CFR 92.351 and any modifications thereto.

5.4 TENANT SELECTION. In the selection of tenants, Borrower shall comply with the written tenant selection provisions of the Management Plan attached hereto as Exhibit G and incorporated herein. Tenant selection must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto. Any changes to the Management Plan require prior written approval from Lender.

Borrower shall rent the HOME-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 in the County HOME Loan Regulatory Agreement.

5.5 INCOME CERTIFICATION.

The Annual Income levels and other qualifications of applicants for HOME-Assisted Units shall be certified by Borrower no earlier than sixty (60) calendar days prior to the Qualifying Household's expected occupancy of a HOME-Assisted Unit and recertified annually thereafter by the Borrower. If the household size of a Qualifying Household occupying a HOME-Assisted Unit changes, the Borrower may request additional information and documentation to determine eligibility.

A. Initial Annual Income Verification. Before the Qualifying Household occupies a HOME-Assisted Unit, the Borrower shall verify that the Annual Income provided in an Annual Income certification is accurate by taking both of the following steps as a part of the verification process:

- (1) Third Party Verification: All third parties (e.g., employer, Social Security Administration, public assistance agency, etc.) are contacted to provide information to verify Annual Income. Written requests and responses are required; and
- (2) Review of Documents: The Qualifying Household provides documents verifying their Annual Income (e.g., pay stubs, tax returns, etc.). These documents must then be retained in the Project files.

B. Annual Income Recertification. At the time of lease renewal or pursuant to an annual schedule adopted by the Borrower, and no later than the one-year anniversary of the initial Annual Income verification and annually thereafter, Borrower shall recertify the Annual Income of each Tenant occupying a HOME-Assisted Unit using the method as described in Section 5.5.A, above.

5.6 INITIAL 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 thereto, and must be preceded by not less than 30 days written notice to the tenant by the Borrower specifying the grounds for the action. 30 days prior to leasing the HOME-Assisted Units in the Project, Borrower shall submit its proposed HOME rents and utility allowance schedule to Lender for review and approval. Within six (6) months of completion of construction as defined in Section 4.2, Borrower shall lease the one HOME-Assisted Unit and provide Lender with detailed occupancy data and demographic information on the tenants of the HOME-Assisted Units.

5.7 AFFORDABILITY RESTRICTIONS. One unit in the Project shall be designated by Borrower as HOME-Assisted Units. the HOME-Assisted Unit shall be occupied by a Qualifying Household, as set forth in the County HOME Loan Regulatory Agreement and shall meet the following standards:

- A. The one HOME-Assisted Unit shall be designated as a "floating" unit, so that the unit that is designated as HOME-Assisted under the County HOME Loan Regulatory Agreement may

change over time, as long as the total number of HOME-assisted Units in the Project remains constant and as long as the HOME-Assisted Unit consists of either one one-bedroom or one two-bedroom unit.

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

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

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

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

5.11 RECORDS AND REPORTS. Borrower shall be accountable to Lender for all HOME Funds disbursed to Borrower pursuant to the County HOME Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures for construction costs drawn from HOME Funds, and to keep all invoices, receipts, and other documents related to expenditures for construction costs for said HOME Funds for five years after recordation of a notice of completion issued for the Project. Commencing on the first day of April following recordation of a notice of completion issued for the Project, Borrower shall submit reports annually to Lender with information regarding tenant income, rent and unit inspection information. Tenant income, rent, unit inspection information, and all records related to any revenue received by the Project must be kept until five years after the affordability period ends. Records must be kept accurate and current.

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

Borrower shall submit monthly to Lender written Project construction progress reports and updated construction schedule within ten (10) days following the end of each month, commencing with the execution of this County HOME Loan Agreement and concluding upon the completion of the Project.

Records of all permits, entitlements and approvals, inspections and sign-offs required by all permitting and regulatory authorities and jurisdictions shall be submitted by Borrower to Lender within 30 days following the recordation of the notice of completion.

Copies of the certificate(s) of occupancy shall be submitted by Borrower to Lender upon receipt.

Data on the initial lease-up of the one (1) HOME-Assisted Unit sufficient to close-out the Project in the federal Integrated Disbursement and Information System shall be submitted by Borrower to Lender within 10 days following the execution of the 7th lease for a HOME-Assisted Unit.

5.12 AUDITS. Borrower shall conduct annual audits in accordance with 24 CFR 84.26 and 85.26, and OMB Circular A-133 and submit to Lender an Annual Financial Statement. Borrower shall make available to Lender for examination at reasonable intervals and during normal business hours all books, accounts, reports, files, and other papers or property with respect to all matters covered by these County HOME Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to the County HOME Loan.

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 submit a written request to Lender for an extension. Lender shall respond to extension request within fifteen (15) days. Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

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

5.14 TRANSFERS. Borrower has not made or created, and shall not make or permit any sale, assignment, conveyance, or other transfer of this County HOME Loan Agreement, including the sale or transfer of any general partnership interests, without the prior written consent of Lender.

5.15 REMOVAL OF GENERAL PARTNER. Notwithstanding anything to the contrary contained in the County HOME Loan Agreement, the County Promissory Note or the County Regulatory Agreement, no consent shall be required from the Lender if the: (i) Limited Partner removes the Borrower's general partner (the "General Partner") for cause in accordance with the Borrower's partnership agreement ("Partnership Agreement") and replaces it with an entity related to or affiliated with the Limited Partner (the "Related Entity"); or (ii) Limited Partner transfers or assigns its interest in Borrower to a Related Entity; provided, however, if either the replacement General Partner or transferee Limited Partner is an entity other than a Related Entity, then the consent, which shall not be unreasonably withheld or unduly delayed, of the Lender shall be required.

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

5.17 DAMAGE TO PROPERTY. If any building or improvement erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its sole cost and expense, diligently undertake to repair or restore said buildings or improvements consistent with the original plans and specifications for the Project if Borrower reasonably determines that such restoration or repair is economically feasible. Such work or repair shall be commenced within 120 days after the damage or loss occurs and shall be completed within one year thereafter, subject to any extensions of time granted pursuant to the provisions of Section 4.14. 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.

If Borrower determines that restoration or repair is not economically feasible, then Lender may declare an event of default pursuant to Section 8.1.G below. Upon request by Lender to repay principal and interest, Borrower shall apply insurance proceeds thereto, subject to the rights of Senior Lenders.

5.18 EQUAL EMPLOYMENT OPPORTUNITY. Borrower and all contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal employment opportunity. Borrower and all contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal opportunities for business and lower-income persons (referred to as the Section 3 clause of the HUD Act of 1968, 12 U.S.C. 1701u).

ARTICLE 6 INDEMNITY AND INSURANCE

6.1 INDEMNITY. Borrower shall comply with the indemnification provisions set forth in Exhibit F "Standard Indemnification and Insurance Provisions" attached hereto and incorporated herein.

6.2 INSURANCE. Borrower shall comply with the insurance provisions set forth in Exhibit F "Standard Indemnification and Insurance Provisions" attached hereto and incorporated herein.

6.3 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. No officials, employees and agents of Lender shall be personally liable to Borrower for any obligation created under the terms of these County HOME 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 County HOME 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 “buffer zone property” under California Health and Safety Code Sections 25100, 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 Lender’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 “buffer zone property” under California Health and Safety Code Sections 25100, 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.** Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and/or Exhibit F, 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 County HOME 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 County HOME Loan Agreement:

A. **Monetary.** (1) Borrower's failure to pay when due any sums payable under the County HOME Loan Note or any advances made by Lender under the County HOME Loan Deed of Trust or this County HOME Loan Agreement; (2) Borrower's use of HOME Funds for costs other than approved construction costs or for uses inconsistent with other terms and restrictions in the County HOME Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this County HOME Loan Agreement; (4) Borrower's failure to make any other payment or assessment due under the County HOME 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. **Construction.** (1) Borrower's substantial deviation from the budget specified in Exhibit B (Budget), without Lender's prior written consent; (2) Borrower's use of defective or unauthorized materials or defective workmanship in constructing the Project; (3) Borrower's failure to commence or complete construction pursuant to Sections 4.1 and 4.2 herein; (4) the cessation of construction prior to completion of the Project for a period of more than thirty (30) consecutive calendar days without proper written approval from Lender; (5) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (6) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this County HOME 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 any basis prohibited by this County HOME 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 County HOME Loan Agreement or that have the effect of reducing the priority of or invalidating the County HOME Loan Deed of Trust;

D. **General performance of County HOME Loan obligations.** Any substantial breach by Borrower beyond applicable notice and cure periods of any material obligations on Borrower imposed in the County HOME 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 County HOME 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 or failure to maintain Property. Material damage or destruction to the Property by fire or other casualty if Borrower does not take steps to reconstruct the Project as required by the County HOME Loan Documents or if Borrower fails to maintain the Property pursuant to Section 5.1 above;

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.

I. Program compliance. Any non-compliance with HOME Program requirements including, but not limited to, the provisions of Section 4.12 and the County HOME Loan Regulatory Agreement pursuant to the HOME Investment Partnerships Program Final Rule at 24 CFR Part 92, and including other Federal requirements at 24 CFR 92 Subpart H.

J. Tax Credit Compliance. The Project shall comply with the rent and income restrictions and other terms of the Tax Credit Regulatory Agreement. Non-compliance under the terms of the Tax Credit Regulatory Agreement shall constitute an event of default under the County HOME Loan Agreement, subject to applicable cure periods.

K. Relocation Benefits. Failure to make any payments requested by Lender pursuant to Section 4.13 above.

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 Event of 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 the notice or the date the notice was refused, by which such action to cure must be taken or if a cure is not possible within thirty (30) days, to begin such cure and diligently prosecute such cure to completion which shall, in any event, not exceed ninety (90) days from the date of notice to cure. The Lender has the sole discretion to determine whatever additional reasonable time is needed to cure. Notwithstanding anything to the contrary contained in the County HOME Loan Documents, Lender hereby agrees that any cure of any default made or tendered by Borrower's Limited Partners shall be

deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

8.3 LENDER'S REMEDIES. Upon the happening of an Event of Default by Borrower and a failure to cure said Event of Default within the time specified in Section 8.2 above, Lender's obligation to disburse HOME Funds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the County HOME 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 County HOME Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the County HOME Loan Note, as well as any other monies advanced to Borrower by Lender under the County HOME 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 County HOME 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 County HOME Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the County HOME Loan Note, as well as any other monies advanced to Borrower by Lender under the County HOME Loan Documents plus associated amounts due, such as relocation benefits described in Section 4.13 above;

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

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

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

G. Disburse from County HOME 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 County HOME Loan Deed of Trust and apply them to operate the Property or to pay off the County HOME Loan or any advances made under the County HOME Loan Documents, as provided for by the County HOME Loan 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 County HOME Loan 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 County HOME Loan Deed of Trust in the Event of Default by Borrower and failure to cure as provided in Section 8.2.

ARTICLE 9 GENERAL PROVISIONS

9.1 **BORROWER'S WARRANTIES.** Borrower represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of these County HOME Loan Documents and the County HOME Loan 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 County HOME Loan Documents, (4) that the persons executing and delivering the County HOME Loan Documents are authorized to execute and deliver such documents on behalf of Borrower, (5) that there has been no substantial adverse change in Borrower's financial condition since the date of application for the County HOME Loan such as judgment liens, tax liens, mechanic's liens, bankruptcy, etc.; and (6) that all representations in the Borrower's loan application (including all supplementary submissions) are true, correct and complete in all material respects and are offered to induce Lender to make the County HOME Loan.

9.2 **CONTRACT ADMINISTRATION.** The County's Department of Community Services (CSD) will serve as the County's (or Lender's) administrator of the Project, this County Loan Agreement, Promissory Note and Regulatory Agreement. CSD is authorized to approve budget revisions as authorized under Section 2.6 of this Agreement, collect loan repayments, perform loan and Project monitoring functions and other administrative duties.

9.3 **MONITORING AND EVALUATION.** Except as otherwise provided for in this County HOME 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 County HOME 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 County HOME Loan Agreement 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 County HOME Loan Agreement shall be used for any partisan political activity or the election or defeat of any candidate for public office.

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

9.6 **TERM OF THIS AGREEMENT.** This County HOME Loan Agreement shall commence on the date set forth above and remain in full force and effect throughout the term of the County HOME Loan.

9.7 **GOVERNING LAW.** The County HOME 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 County HOME Loan Documents or County HOME Loan 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 County HOME Loan Documents.

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

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

LENDER: County of Santa Barbara
Housing and Community Development
105 E Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Deputy Director

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

BORROWER: 1758 Laurel Ave., LP
c/o Corporation for Better Housing
5947 Variel Avenue
Woodland Hills, CA 91367
Attn: Executive Director

With copy to: Alliant Asset Management Company, LLC
21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367
Attn: General Counsel

9.12 **BINDING UPON SUCCESSORS.** All provisions of these County HOME 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 County HOME Loan Agreement by Borrower without Lender's consent.

9.13 **RELATIONSHIP OF PARTIES.** The relationship of Borrower and Lender for this Project under this County HOME 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 County HOME Loan.

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

9.15 **WAIVER.** Any waiver by Lender of any obligation in these County HOME 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 County HOME Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the County HOME Loan Documents shall not operate as a waiver or release from any of the Borrower's obligations under the County HOME Loan Documents. Consent by Lender to any act or omission by Borrower shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.

9.16 **INTEGRATION.** This County HOME Loan Agreement and the other County HOME Loan Documents, including exhibits, executed by Borrower for the Property, 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 County HOME Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of the County HOME Loan Documents without an express waiver by Lender in writing.

9.18 **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to the County HOME 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 County HOME Loan Agreement is intended to be severable. If any provision of this County HOME 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.

9.20 **COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

Exhibits

- A: Property Description
- B: Budget
- C: County HOME Loan Deed of Trust
- D: County HOME Loan Note
- E: County HOME Loan Regulatory Agreement
- F: Standard Indemnification and Insurance Provisions
- G: Management Plan

Signatures appear on following page. No further text appears here.

IN WITNESS WHEREOF, County and Borrower have caused this Agreement to be executed by their respective duly authorized officers.

ATTEST:

MONA MIYASATO
Clerk of the Board

By: _____
Deputy Clerk of the Board

COUNTY:

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

By: _____
Steve Lavagnino, Chair
Board of Supervisors

**APPROVED AS TO ACCOUNTING
FORM:**


ROBERT W. GEIS, CPA
AUDITOR-CONTROLLER

By:  _____
Deputy

By:  _____
Director

APPROVED AS TO FORM

COUNTY COUNSEL

By:  _____
Deputy County Counsel

BORROWER

1758 Laurel Ave., L.P.,
a California Limited Partnership

By:
Corporation for Better Housing,
a California nonprofit public benefit corporation,
its general partner

By:  _____
Executive Director

**APPROVED AS TO FORM:
RISK MANAGEMENT**

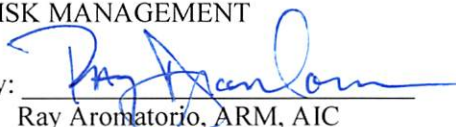
By:  _____
Ray Aromatorio, ARM, AIC
Risk Manager

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1

THAT PORTION OF LOT 7-A OF THE SUBDIVISION OF "PART OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND PART OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 6 NORTH, RANGE 31 WEST, S.B.M. IN THE CITY OF SOLVANG, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA" AS PER MAP THEREOF FILED IN BOOK 6, PAGE 57 OF MAPS AND SURVEYS, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A 3/4" PIPE 359.9 FEET EAST OF THE NORTHWEST CORNER OF LOT 7-B, AS SHOWN ON SAID MAP; THENCE SOUTH 453.9 FEET TO A 3/4" PIPE; THENCE EAST 96 FEET TO A 3/4" PIPE; THENCE NORTH 453.9 FEET TO A 3/4" PIPE; THENCE WEST 96 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF LAND IN A DEED TO VIGGO R. PEDERSEN AND DAGMAR E. PEDERSEN, HIS WIFE RECORDED JULY 9, 1954 AS INSTRUMENT NO. 11520 IN BOOK 1252, PAGE 220 OF OFFICIAL RECORDS.

APN# 139-092-009

PARCEL 2

THAT PORTION OF LOT 6 OF THE SUBDIVISION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND PART OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 6 NORTH, RANGE 31 WEST, S.B.M. IN THE CITY OF SOLVANG, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 6, AT PAGE 57 OF MAPS AND SURVEYS, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE CENTER LINE OF JONATA ROAD, DISTANT THEREON NORTH 89° 47' WEST 168 FEET FROM THE INTERSECTION THEREOF WITH THE CENTER LINE OF EAST ROAD, SAID POINT OF BEGINNING BEING THE NORTHWEST CORNER OF THE TRACT OF LAND DESCRIBED IN DEED TO MARGARET BERBERNES, DATED NOVEMBER 25, 1929 AND RECORDED IN BOOK 202, AT PAGE 244 OF OFFICIAL RECORDS, RECORDS OF SAID COUNTY; THENCE SOUTHERLY ALONG THE WESTERLY LINE OF SAID BERBERNES TRACT OF LAND 198 FEET TO THE SOUTHWEST CORNER THEREOF; THENCE EASTERLY ALONG THE SOUTHERLY LINE OF SAID LAST MENTIONED TRACT LAND, 36 FEET TO THE SOUTHEAST CORNER THEREOF AND A POINT IN THE WESTERLY LINE OF THE TRACT OF LAND DESCRIBED IN THE DEED TO TERMANN PAASKE, DATED OCTOBER 21, 1920 AND RECORDED IN BOOK 199 AT PAGE 299 OF DEEDS, RECORDS OF SAID COUNTY; THENCE SOUTHERLY ALONG SAID LAST MENTIONED LINE, 18.50 FEET TO THE SOUTHWEST CORNER THEREOF, BEING A POINT IN THE NORTHERLY LINE OF THE TRACT OF LAND DESCRIBED IN DEED TO TERMANN PAASKE, DATED OCTOBER 21, 1920 AND RECORDED IN BOOK 199, AT PAGE 300 OF DEEDS, RECORDS OF SAID COUNTY; THENCE WESTERLY ALONG THE NORTHERLY LINE OF SAID LAST MENTIONED TRACT OF LAND, 46 FEET TO THE NORTHWEST CORNER THEREOF; THENCE SOUTHERLY ALONG THE WESTERLY LINE OF SAID LAST MENTIONED TRACT OF LAND AND IT'S SOUTHERLY PROLONGATION, 237.4 FEET TO A POINT IN THE SOUTHERLY LINE OF SAID LOT 6 ABOVE REFERRED TO AND THE SOUTHWEST CORNER OF THE TRACT OF LAND DESCRIBED IN DEED TO JORGEN H. WARTENBERG, DATED APRIL 30, 1926 AND RECORDED IN BOOK 95 AT PAGE 319 OF OFFICIAL RECORDS, RECORDS OF SAID COUNTY; THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SAID LOT 6, 64.3 FEET TO THE SOUTHWEST CORNER OF SAID LOT; THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID LOT 6, 453.9 FEET TO THE CENTER LINE OF JONATA ROAD AND THE NORTHWEST CORNER OF SAID LOT 6; THENCE EASTERLY ALONG SAID CENTER LINE OF JONATA ROAD AND THE NORTHERLY LINE OF SAID LOT 6, 74.3 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF LAND IN DEED TO PETER N. JORGENSEN AND KATHRYN JORGENSEN, HIS WIFE RECORDED MAY 10, 1957 AS INSTRUMENT NO. 9080 IN BOOK 1445, PAGE 375 OF OFFICIAL RECORDS.

APN# 139-092-018

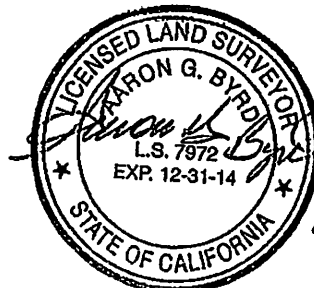


EXHIBIT B

SOURCES AND USES/BUDGET

TOTAL SOURCES & USES

TRANSACTION: 1758 Laurel Ave., LP

MASTER BUDGET LINE ITEM	ORIGINAL BUDGET
Land Acquisition	970,000.00
Construction Costs of Improvements	5,216,796.00
SUB TOTAL CONTRACT SUM	5,216,796.00
Hard Cost Contingency	260,840.00
TOTAL HARD COSTS	5,477,636.00
Interest Reserve	377,705.00
Fees/Permits	392,336.00
Soils/Field Testing & Inspections/Survey	30,000.00
Architect and Engineering	303,500.00
Security	35,000.00
Title/Recording - Construction	30,000.00
Title/Recording - Deferred To Conversion	15,000.00
Insurance - Gen Liability/Bldrs Risk	95,000.00
Real Estate Taxes	5,000.00
Legal Costs - Partnership/Syndication	90,000.00
Professional Services Contingency	40,000.00
Bank Construction Loan Fee	55,050.00
Bank Construction Loan Legal	40,000.00
Appraisal	10,000.00
Capitalized RR	11,250.00
Bank Inspection Fees/Review	14,300.00
Financing Contingency	35,000.00
Audit/Cost Certification	15,000.00
Partnership Expenses/Market Study	40,000.00
Furnishings	35,000.00
Marketing & Lease-Up Costs	35,200.00
Operating Reserve - Deferred To Conversion	81,547.00
TCAC/CDLAC Fees	51,843.00
Developer Fee - During Construction	125,000.00
Developer Fee - Deferred to Conversion	875,000.00
Soft Cost Contingency	40,000.00
TOTAL SOFT COSTS	2,500,026.00
TOTAL COSTS	9,325,367.00
Funding Sources and order of Disbursement:	
Tax Credit Equity 1st Contribution	619,552.00
Construction Loan	7,340,000.00
CBH Loan	394,404.00
Perm Loan	1,261,600.00
County HOME Funds	180,000.00
FHLBSF	900,000.00
Remaining Equity	5,270,673.00
Bank Construction Loan Payoff @ Perm	(7,340,000.00)
Deferred Developer Fee	699,138.00
TOTAL:	9,325,367.00

PROFORMA SCHEDULE

Project: 1758 Laurel Ave., LP

Location: 1758 Laurel Ave (Solvang, CA)

Type	AMI Rent Level	Number of Units	Unit Sq. Ft.	Gross Rent	Utility Allowance	Net Rent	Monthly Totals	Annual Totals
1BR/1BA	30%	4	600	426	41	385	1,540	18,480
1BR/1BA	45%	6	600	639	41	598	3,588	43,056
1BR/1BA	50%	21	600	710	41	669	14,049	168,588
1BR/1BA	60%	10	600	852	41	811	8,110	97,320
2BR/1BA	30%	1	803	511	47	464	464	5,568
2BR/1BA	45%	1	803	767	47	720	720	8,640
2BR/1BA	50%	1	803	852	47	805	805	9,660
2BR/1BA MGR	60%	1	803				0	0

Total Units & Sq. Ft.	45	% of Sq. Ft. Affordable	% of Units Affordable
		100.00%	100.00%

\$ 29,276 \$ 351,312

Total Annual Rental Income	\$ 351,312
Other	
Other Income/Unit/Year & Total	\$ 5,400
Other -Rental Assistance	
Total Annual Other Income	\$ 5,400
Total Annual Potential Gross Income	\$ 356,712
Vacancy & Collection Loss Residential	5%
Annual Effective Gross Income	\$ 338,876

ANNUAL EXPENSES

Real Estate Taxes & Special Assessments	0.10%	0.14%	\$ 8	\$ 350
Insurance	2.66%	3.72%	\$ 200	\$ 9,000
Fuel & Gas	2.55%	3.58%	\$ 192	\$ 8,640
Electricity	3.51%	4.92%	\$ 264	\$ 11,880
Water & Sewer	9.51%	13.34%	\$ 716	\$ 32,228
Trash Removal	2.97%	4.17%	\$ 224	\$ 10,079
Fire Monitoring/Pest/Elevator	3.04%	4.26%	\$ 229	\$ 10,296
Landscaping	3.01%	4.22%	\$ 227	\$ 10,200
Building & Maintenance Repairs & Supplies	3.98%	5.59%	\$ 300	\$ 13,500
Management Fee	6.00%	8.41%	\$ 452	\$ 20,333
On site Payroll	7.98%	11.19%	\$ 601	\$ 27,040
Maintenance Salary/Asst. Maint	7.37%	10.33%	\$ 555	\$ 24,960
Payroll Taxes / Work Comp / Benefits	5.52%	7.75%	\$ 416	\$ 18,720
Advertising/Marketing	1.03%	1.45%	\$ 78	\$ 3,000
Legal & Accounting	3.02%	4.23%	\$ 227	\$ 10,225
Office Supplies & Expense	3.54%	4.97%	\$ 267	\$ 10,000
Social Services	2.20%	3.08%	\$ 166	\$ 7,450
HOME Fee	0.74%	1.03%	\$ 56	\$ 2,500
Replacement Reserves	3.32%	4.66%	\$ 250	\$ 11,250

	% of Annual EGI	% of Total Operating Exp.	Per Unit	Total
	0.10%	0.14%	\$ 8	\$ 350
	2.66%	3.72%	\$ 200	\$ 9,000
	2.55%	3.58%	\$ 192	\$ 8,640
	3.51%	4.92%	\$ 264	\$ 11,880
	9.51%	13.34%	\$ 716	\$ 32,228
	2.97%	4.17%	\$ 224	\$ 10,079
	3.04%	4.26%	\$ 229	\$ 10,296
	3.01%	4.22%	\$ 227	\$ 10,200
	3.98%	5.59%	\$ 300	\$ 13,500
	6.00%	8.41%	\$ 452	\$ 20,333
	7.98%	11.19%	\$ 601	\$ 27,040
	7.37%	10.33%	\$ 555	\$ 24,960
	5.52%	7.75%	\$ 416	\$ 18,720
	1.03%	1.45%	\$ 78	\$ 3,000
	3.02%	4.23%	\$ 227	\$ 10,225
	3.54%	4.97%	\$ 267	\$ 10,000
	2.20%	3.08%	\$ 166	\$ 7,450
	0.74%	1.03%	\$ 56	\$ 2,500
	3.32%	4.66%	\$ 250	\$ 11,250

\$ 5,370 \$ 241,651

Annual Net Operating Income - Per Unit & Total \$ 2,161 \$ 97,226

Debt Service - Permanent Loan

Principal	\$ 1,261,600
Interest Rate	1.15 5.35%
Amortization Period (Yrs)	30
Annual Payment	\$84,539

Net Income \$12,687

Total Payment	-	-	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-	-	-
Principal Payment	-	-	-	-	-	-	-	-
Accrued Interest Balance	12,000	17,400	22,800	28,200	33,600	39,000	44,400	49,800
CBH Loan Beg Principal Balance	394,404	394,404	394,404	394,404	394,404	394,404	394,404	394,404
Current Interest	11,832	11,832	11,832	11,832	11,832	11,832	11,832	11,832
Total Payment	-	-	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-	-	-
Principal Payment	-	-	-	-	-	-	-	-
Accrued Interest	11,832	23,664	35,496	47,328	59,161	70,993	82,825	94,657
Required DSCR	1.15							
Perm. Loan Interest Rate	5.35%							
Perm. Loan Term	30.00	years						
Home Loan Interest Rate	3.00%							
Home Loan Term	55.00							
DDF Note	0%							
DDF Note Term	13.00	years						
CBH Loan	394,404							
County HOME Loan	180,000							
Total Residual Receipt Debt	574,404							
CBH % of Residual Receipt Debt	68.66%							
HOME Loan % of Residual Receipt Debt	31.34%							
CBH Share of 50% of Cash Flow	34.33%							
HOME Loan % of 50% Cash Flow	15.67%							
Total Home Loan % of Cashflow	15.67%							

-	-	-	-	-	3,552	3,470	3,305	3,115	2,899	2,657	2,385	2,083
-	-	-	-	-	3,552	3,470	3,305	3,115	2,899	2,657	2,385	2,083
-	-	-	-	-	-	-	-	-	-	-	-	-
55,200	60,600	66,000	71,400	76,800	78,648	80,578	82,673	84,958	87,459	90,203	93,218	96,534
394,404	394,404	394,404	394,404	394,404	394,404	394,404	394,404	394,404	394,404	394,404	394,404	394,404
11,832	11,832	11,832	11,832	11,832	11,832	11,832	11,832	11,832	11,832	11,832	11,832	11,832
-	-	-	-	-	7,783	7,603	7,241	6,825	6,353	5,821	5,226	4,565
-	-	-	-	-	7,783	7,603	7,241	6,825	6,353	5,821	5,226	4,565
-	-	-	-	-	-	-	-	-	-	-	-	-
106,489	118,321	130,153	141,985	153,818	157,866	162,096	166,687	171,694	177,173	183,184	189,791	197,058

22	23	24	25	26	27	28	29	30	31	32	33	34	35
590,057	604,809	619,929	635,427	651,313	667,596	684,286	701,393	718,927	736,901	755,323	774,206	793,561	813,400
9,070	9,296	9,529	9,767	10,011	10,262	10,518	10,781	11,051	11,327	11,610	11,900	12,198	12,503
0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
569,171	583,400	597,985	612,935	628,258	643,964	660,063	676,565	693,479	710,816	728,587	746,801	765,471	784,608
459,152	475,222	491,855	509,070	526,887	545,328	564,414	584,169	604,615	625,776	647,679	670,347	693,810	718,093
-	-	-	-	-	-	-	-	-	-	-	-	-	-
14,313	14,814	15,333	15,869	16,425	17,000	17,595	18,210	18,848	19,507	20,190	20,897	21,628	22,385
95,706	93,364	90,798	87,996	84,946	81,637	78,054	74,186	70,017	65,532	60,718	55,557	50,034	44,130
84,539	84,539	84,539	84,539	84,539	84,539	84,539	84,539	84,539	84,539	84,539	84,539	84,539	84,539
11,167	8,825	6,259	3,457	407	(2,902)	(6,485)	(10,353)	(14,522)	65,532	60,718	55,557	50,034	44,130
11,167	8,825	6,259	3,457	407	(2,902)	(6,485)	(10,353)	(14,522)					
-	-	-	-	-	-	-	-	-	-	-	-	-	-
11,167	8,825	6,259	3,457	407	(2,902)	(6,485)	(10,353)	(14,522)	65,532	60,718	55,557	50,034	44,130
180,000	180,000	180,000	180,000	180,000	180,000	180,455	181,471	183,093	185,368	185,368	185,368	185,368	185,368
5,400	5,400	5,400	5,400	5,400	5,400	5,414	5,444	5,493	5,561	5,561	5,561	5,561	5,561

1,750	1,383	981	542	64	(455)	(1,016)	(1,622)	(2,275)	10,268	9,514	8,705	7,839	6,914
1,750	1,383	981	542	64	-	-	-	-	10,268	9,514	8,705	7,839	6,914
-	-	-	-	-	(455)	(1,016)	(1,622)	(2,275)	-	-	-	-	-
100,185	104,202	108,621	113,480	118,816	124,216	129,630	135,074	140,566	135,860	131,907	128,763	126,485	125,131
394,404	394,404	394,404	394,404	394,404	394,404	395,400	397,627	401,181	406,167	406,167	406,167	406,167	406,167
11,832	11,832	11,832	11,832	11,832	11,832	11,862	11,929	12,035	12,185	12,185	12,185	12,185	12,185
3,834	3,030	2,149	1,187	140	(996)	(2,226)	(3,554)	(4,986)	22,498	20,845	19,074	17,177	15,151
3,834	3,030	2,149	1,187	140	-	-	-	-	22,498	20,845	19,074	17,177	15,151
-	-	-	-	-	(996)	(2,226)	(3,554)	(4,986)	-	-	-	-	-
205,057	213,859	223,542	234,188	245,880	257,712	269,574	281,503	293,538	283,225	274,565	267,676	262,684	259,718

5,927	4,874	3,754	2,561	1,294	-	-	-	-	-	-	-	-
5,927	4,874	3,754	2,561	1,294	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
124,765	125,452	127,259	130,259	134,527	140,088	145,649	151,210	156,771	162,332	167,893	173,454	179,015
406,167	406,167	406,167	406,167	406,167	406,167	406,167	406,167	406,167	406,167	406,167	406,167	406,167
12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185	12,185
12,987	10,681	8,224	5,611	2,835	-	-	-	-	-	-	-	-
12,987	10,681	8,224	5,611	2,835	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
258,916	260,420	264,381	270,954	280,305	292,490	304,675	316,860	329,045	341,230	353,415	365,600	377,785

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
184,576	190,137	195,698	201,260	206,821	212,382	217,943
406,167	406,167	406,167	406,167	406,167	406,167	406,167
12,185	12,185	12,185	12,185	12,185	12,185	12,185
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
389,970	402,155	414,340	426,525	438,710	450,895	463,080

EXHIBIT C

COUNTY HOME LOAN DEED OF TRUST

NO FEE DOCUMENT

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

County of Santa Barbara
Housing and Community Development
105 E. Anapamu Street, Room 105
Santa Barbara, CA 93101
Clerk of the Board
Attn: Russ Barker

NO FEE DOCUMENT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 27383

**COUNTY HOME LOAN DEED OF TRUST,
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT**

THIS COUNTY HOME LOAN DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("County HOME Loan Deed of Trust") is made as of this 14th day of October, 2014, by 1758 Laurel Ave., L.P., a California limited partnership ("Trustor"), to Chicago Title Company as trustee ("Trustee"), for the benefit of the County of Santa Barbara, a political subdivision of the State of California ("Beneficiary"). This County HOME Loan Deed of Trust is junior and subordinate to the Deeds of Trust recorded prior to or concurrently herewith in favor of Pacific Western Bank in the estimated amount of Seven Million Three Hundred Forty Thousand Dollars (\$7,340,000) construction loan, which will convert to a permanent loan in the estimated amount of One Million Two Hundred Sixty One Thousand Six Hundred Dollars (\$1,261,600) also provided by Pacific Western Bank recorded prior to or concurrently herewith.

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 1758 Laurel Avenue, in the City of Solvang, California (the "Property"), as more particularly described in the attached Exhibit A, incorporated herein by this reference;

TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property; all buildings, structures, fixtures, improvements, signs, and landscaping now or hereafter erected or located on the Property,

including all equipment and machinery used for supplying or distributing heating, cooling, electricity, gas, water, air, and light, all kitchen and laundry appliances such as washers, dryers, refrigerators, garbage disposals, ovens, ranges, dishwashers, all plumbing and bathroom fixtures, all security and access control equipment, fire prevention and extinguishment equipment, elevators, floor coverings, window coverings, panelling, cabinets, (provided, however, that Trustor shall have the right to remove, if necessary, such fixtures, furnishings, and equipment for the purpose of replacement with similar items of the same quality performing the same functions, which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased in whole or in part with HOME Funds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all Revenue, including rents and income generated by or derived from the Property or improvements thereon (subject however to the assignment of rents to Beneficiary contained herein); all leases, subleases, rental agreements and licenses covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, payments, and receivables of similar nature with respect to such leases, subleases, rental agreements and licenses; 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 streets, 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, bonds, warranties, guarantees and sureties, 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 copyrights, patents, trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction of the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction or 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 of Trustor:

A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of One Hundred Eighty Thousand Dollars (\$180,000) with interest thereon, evidenced by

the County HOME Loan Promissory County HOME Loan Note executed by Trustor, in the amount of \$180,000 (the "County HOME Loan Note"), on file at the offices of Beneficiary and hereby incorporated by reference into this County HOME Loan Deed of Trust, 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 County HOME Loan Deed of Trust; and

C. Payment of any sums advanced by Beneficiary following a breach of Trustor's obligation for payment of said sums, such as Trustor's obligation to pay fees, assessments, taxes, charges, and levies imposed by any public authority or utility company and/or Trustor's obligation to pay any sums payable under the County HOME Loan Note and the expiration of any applicable cure period, with interest thereon as provided herein; and

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

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

F. Performance of any obligations of Trustor in any other agreements with respect to financing of development of the Property or the Security, the failure to perform 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 Revenue, rents, 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 County documents described in Section 2.D. above (collectively, the "County HOME 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 County HOME Loan 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 County HOME Loan Agreement or other County HOME Loan Documents, Beneficiary may, in addition to other rights and remedies permitted by the County HOME Loan Agreement, this County HOME Loan 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 Project Related Costs, costs and expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured by this County HOME Loan Deed of Trust, all in such order as Beneficiary may determine, (c) enter upon and take possession of the Security, and complete construction of any improvements on the Security as provided for in the plans and specifications approved under the County HOME Loan Agreement or any modifications to the plans and specifications or the development of the Security 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 by the County HOME Loan Regulatory Agreement.

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 Event of Default or notice of default hereunder or under any of the County HOME Loan Documents or invalidate any act done by Beneficiary, Beneficiary's agents or a receiver in response to such Event of 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 County HOME Loan Deed of Trust, in the County HOME Loan Documents 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 County HOME Loan 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 California Commercial Code, and Trustor hereby grants

Beneficiary a security interest in the Security. Beneficiary may file a copy of this County HOME Loan 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 the Security. 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 the Security. This County HOME Loan Deed of Trust constitutes a fixture filing under Division 9 of the California Commercial Code.

8. REMEDIES. Upon Trustor's breach of any obligation or agreement in the County HOME Loan Documents, after expiration of any applicable cure period, Beneficiary shall have the remedies of a secured party under the California Commercial Code and at Beneficiary's option may also invoke the remedies provided for elsewhere in this County HOME Loan Deed of Trust or County HOME Loan Documents. Beneficiary may proceed against the Security 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 County HOME Loan Deed of Trust in accordance with the County HOME 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 County HOME Loan 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 violation 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 intentional 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 County HOME Loan Deed of Trust or the County HOME Loan Documents, and after any applicable cure periods, Beneficiary 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 County HOME Loan 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 County HOME Loan 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 County HOME Loan Deed of Trust, as provided for in the County HOME 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 all rights, power and authority to institute and maintain such suits and proceedings as it may deem expedient (a) to prevent any impairment of the Security or Rents or prejudice to any interest or right of Beneficiary, (b) to preserve or protect its interest in the Security and in the Rents, and (c) to restrain or enjoin 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 Rents or be prejudicial to any interest or right of Beneficiary.

16. DAMAGE TO SECURITY. Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to or destruction of the Security. If any Security is damaged or destroyed, Trustor shall, at its cost and expense, repair or restore said Security consistent with the original plans and specifications. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed within one year thereafter. 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 HOME Promissory Loan Document, Home County HOME Loan Agreement, County HOME Loan Deed of Trust and County HOME Loan Regulatory Agreement approved by Beneficiary.

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 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, Trustor 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 Beneficiary, Trustor deposits with Beneficiary any funds or other forms of assurance Beneficiary in good faith from time to time determines appropriate to protect Beneficiary from the consequences of the contest being unsuccessful.

20. INSURANCE. Trustor shall provide such insurance as required under the County HOME Loan Documents. In the event Trustor fails to maintain the full insurance coverage required by this County HOME Loan Deed of Trust and the County HOME Loan Documents, 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 County HOME Loan 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 County HOME Loan 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 ("Condemnation 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 Funds so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose in Beneficiary's sole discretion. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any Event of Default under this County HOME Loan Deed of Trust or the County HOME Loan Documents.

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 repair or restore the Security and to use all available Funds therefor, provided that (a) such Funds are sufficient to keep the all loans encumbering the Property in balance and rebuild repair or restore the Security in a manner that provides adequate security to Beneficiary for repayment of the HOME Loan or, if such Funds are insufficient or such security is inadequate, then Trustor shall have funded any deficiency and/or provided additional security; (b) Beneficiary shall have the right to approve plans and specifications for any rebuild, repair or restoration and the right to require that disbursement of insurance proceeds and Funds for rebuilding repairing or restoring be placed in a construction escrow or similar arrangement subject to Beneficiary's approval ; and (c) no Event of Default then exists under the County HOME 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, transfers, or

conveys, or agrees to sell, transfer or convey, its interest in the Security or any part thereof or interest therein, Beneficiary may at its option declare all sums secured by this County HOME Loan 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 tenants who will occupy units in the Project as provided for under the County HOME Loan Agreement;

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

C. If Trustor is a partnership, removal of the general partner and substitution of a new general partner in accordance with the limited partnership agreement and upon Beneficiary's written approval, provided, however, no Beneficiary approval shall be required for removal of a general partner by a limited partner in accordance with the terms of the Trustor's amended and restated agreement of limited partnership and replacement of such general partner with an affiliate of Alliant Capital LTD (an "Alliant Affiliate"); or

D. If Trustor is a partnership, transfers of a limited partner's interests to an Alliant Affiliate or to the General Partner of the Trustor or a Beneficiary-approved affiliate thereof in accordance with the limited partnership agreement .

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

DEFAULT AND REMEDIES

24. EVENTS OF DEFAULT. Any of the events listed in the County HOME Loan Agreement as an Event of Default shall also constitute an Event of Default under this County HOME Loan Deed of Trust. A cure of any default made or tendered by Trustor's limited partners shall be accepted or rejected on the same basis as if made or tendered by Trustor.

25. ACCELERATION OF MATURITY. Upon the happening of an Event of Default which has not been cured within the time and in the manner provided in the County HOME Loan Agreement, Beneficiary may declare all sums advanced to Trustor under the County HOME Loan Note and this County HOME Loan 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 time and in the manner provided in the County HOME Loan Agreement, Beneficiary may, in addition to other rights and remedies permitted by the County

HOME Loan Agreement, the County HOME Loan 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 County HOME Loan 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. Advance any amount necessary to cure any monetary Event of Default under this County HOME Loan Deed of Trust, the County HOME Loan Agreement, or the County HOME Loan Note;

D. Commence an action to foreclose this County HOME Loan Deed of Trust pursuant to California Code of Civil Procedure Section 725a 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; and/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 County HOME Loan Deed of Trust, Beneficiary shall notify Trustee and shall deposit with Trustee this County HOME Loan Deed of Trust (the deposit of which shall be deemed to constitute evidence that the unpaid sums disbursed under the County HOME Loan Note are immediately due and payable), and such receipts and evidence of any advances 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 County HOME Loan Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale having been given as required by law, sell the Security, at the time and place of sale fixed by it in said notice of sale, whether as a whole or in separate lots or parcels or items as Trustee shall deem expedient and in such order as it may determine unless specified otherwise by Trustor, at public auction to the highest bidder for cash or credit 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 Security so sold, but without any covenant or warranty, express or implied. 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 Security 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 any senior liens, then by this County HOME Loan 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 County HOME Loan 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 County HOME Loan 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 County HOME Loan Deed of Trust shall not be unreasonably withheld.

33. TIME. Time is of the essence in this County HOME Loan Deed of Trust.

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

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

With copy to: Office of County Counsel
County of Santa Barbara

105 E Anapamu Street, Room 201
Santa Barbara, CA 93101

TRUSTOR: 1758 Laurel Ave., L.P.
5947 Variel Avenue
Woodland Hills, CA 91367
Attn: Executive Director

With a copy to: Alliant Asset Management Company, LLC
21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367
Attention: General Counsel

35. BINDING UPON SUCCESSORS. All provisions of this County HOME Loan 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 County HOME Loan 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 Event of Default of Trustor or to pursue any remedy allowed under the County HOME Loan Deed of Trust, the County HOME Loan Documents or applicable law. Any extension of time granted to Trustor to perform any obligation under this County HOME Loan Deed of Trust shall not operate as a waiver or release Trustor from any of its obligations under this County HOME Loan Deed of Trust. Consent by Beneficiary to any act or omission by Trustor shall not be construed to be 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 County HOME Loan 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 County HOME Loan Deed of Trust and the County HOME Loan Agreement, the terms of the County HOME Loan Agreement shall control, except that Trustor shall have no defense or claim that this County HOME Loan Deed of Trust does not establish a valid lien on the Property or the Security.

39. DEFINITIONS. Capitalized terms not otherwise defined in this County HOME Loan Deed of Trust shall have the same meaning as defined terms in the County HOME 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 County HOME Loan Deed of Trust is intended to be severable. If any term or provision of this County HOME Loan 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 County HOME Loan Deed of Trust is invalid or unenforceable as to any part of the Trustor's indebtedness or the Trustor's obligations secured thereby, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the Trustor's indebtedness and all payments made on the indebtedness (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 indebtedness which is not secured or partially secured by the lien of this County HOME Loan Deed of Trust.

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

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

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

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

45. NONRECOURSE. Except as expressly provided in the second paragraph of this Section 21, the Trustor, and the Trustor's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the County HOME Loan Promissory Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the County HOME Loan Promissory Note shall be to the property securing the indebtedness evidenced by this County HOME Deed of Trust. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against

all such security for the County HOME Loan Promissory Note of all the rights and remedies of the Beneficiary, or (ii) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the County HOME Loan Promissory 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 County HOME Loan Promissory Note, except as hereafter set forth; nothing contained herein is intended to relieve the Trustor of personal liability to the extent of actual damages for (i) Trustor's fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges (which are not contested by the Trustor in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the County HOME Loan 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 the Trustor other than in accordance with the County HOME Loan Deed of Trust; (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 Trustor's indemnification obligations under the County HOME Loan Agreement; and (vi) 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 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 Beneficiary has subordinated the County HOME Loan Deed of Trust.

Signatures appear on following page. No further text appears here.

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

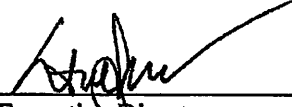
TRUSTOR:

1758 Laurel Ave., L.P.,
a California limited partnership

By:

Corporation for Better Housing,
a California nonprofit public benefit corporation,
its general partner

By: _____


Executive Director

[TRUSTOR'S SIGNATURE MUST BE ACKNOWLEDGED]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

State of California

County of Los Angeles

On October 1, 2014

Date

before me,

Gene T. Goloy, Notary Public

Here Insert Name and Title of the Officer

personally appeared Lori Koester

Name of Signer(s)

Who proved to me on the basis of satisfactory evidence to be the person(s) whose name(e) 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.

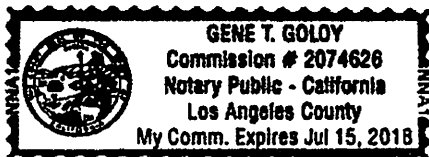
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.

Signature



Signature of Notary Public



Place Notary Seal Above

OPTIONAL

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

Description of the Attached Document

Title of Type of Document: County Home Loan Deed of Trust, Assignment of Rents & Security Agreement

Document Date: October 14, 2014 Number of Pages: 15

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signers Name: Lori Koester

- Individual
- Corporate Officer -- Title(s): _____
- Partner - Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: General Partner

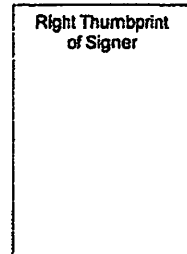
Signer is Representing: _____
1758 Laurel Ave. L.P.



Signers Name: _____

- Individual
- Corporate Officer -- Title(s): _____
- Partner - Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer is Representing: _____



State of California
County of Santa Barbara

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California
County of Santa Barbara

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A
Legal Description
(See Attached)

EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1

THAT PORTION OF LOT 7-A OF THE SUBDIVISION OF "PART OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND PART OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 6 NORTH, RANGE 31 WEST, S.B.M. IN THE CITY OF SOLVANG, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA" AS PER MAP THEREOF FILED IN BOOK 6, PAGE 57 OF MAPS AND SURVEYS, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A ¾" PIPE 359.9 FEET EAST OF THE NORTHWEST CORNER OF LOT 7-B, AS SHOWN ON SAID MAP; THENCE SOUTH 453.9 FEET TO A ¾" PIPE; THENCE EAST 98 FEET TO A ¾" PIPE; THENCE NORTH 453.9 FEET TO A ¾" PIPE; THENCE WEST 96 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF LAND IN A DEED TO VIGGO R. PEDERSEN AND DAGMAR E. PEDERSEN, HIS WIFE RECORDED JULY 9, 1954 AS INSTRUMENT NO. 11520 IN BOOK 1252, PAGE 220 OF OFFICIAL RECORDS.

APN# 139-092-009

PARCEL 2

THAT PORTION OF LOT 6 OF THE SUBDIVISION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND PART OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 6 NORTH, RANGE 31 WEST, S.B.M. IN THE CITY OF SOLVANG, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 6, AT PAGE 57 OF MAPS AND SURVEYS, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE CENTER LINE OF JONATA ROAD, DISTANT THEREON NORTH 89° 47' WEST 168 FEET FROM THE INTERSECTION THEREOF WITH THE CENTER LINE OF EAST ROAD, SAID POINT OF BEGINNING BEING THE NORTHWEST CORNER OF THE TRACT OF LAND DESCRIBED IN DEED TO MARGARET BERBERNES, DATED NOVEMBER 25, 1929 AND RECORDED IN BOOK 202, AT PAGE 244 OF OFFICIAL RECORDS, RECORDS OF SAID COUNTY; THENCE SOUTHERLY ALONG THE WESTERLY LINE OF SAID BERBERNES TRACT OF LAND 198 FEET TO THE SOUTHWEST CORNER THEREOF; THENCE EASTERLY ALONG THE SOUTHERLY LINE OF SAID LAST MENTIONED TRACT LAND, 36 FEET TO THE SOUTHEAST CORNER THEREOF AND A POINT IN THE WESTERLY LINE OF THE TRACT OF LAND DESCRIBED IN THE DEED TO TERMANN PAASKE, DATED OCTOBER 21, 1920 AND RECORDED IN BOOK 199 AT PAGE 299 OF DEEDS, RECORDS OF SAID COUNTY; THENCE SOUTHERLY ALONG SAID LAST MENTIONED LINE, 18.50 FEET TO THE SOUTHWEST CORNER THEREOF, BEING A POINT IN THE NORTHERLY LINE OF THE TRACT OF LAND DESCRIBED IN DEED TO TERMANN PAASKE, DATED OCTOBER 21, 1920 AND RECORDED IN BOOK 199, AT PAGE 300 OF DEEDS, RECORDS OF SAID COUNTY; THENCE WESTERLY ALONG THE NORTHERLY LINE OF SAID LAST MENTIONED TRACT OF LAND, 46 FEET TO THE NORTHWEST CORNER THEREOF; THENCE SOUTHERLY ALONG THE WESTERLY LINE OF SAID LAST MENTIONED TRACT OF LAND AND IT'S SOUTHERLY PROLONGATION, 237.4 FEET TO A POINT IN THE SOUTHERLY LINE OF SAID LOT 6 ABOVE REFERRED TO AND THE SOUTHWEST CORNER OF THE TRACT OF LAND DESCRIBED IN DEED TO JORGEN H. WARTENBERG, DATED APRIL 30, 1926 AND RECORDED IN BOOK 95 AT PAGE 319 OF OFFICIAL RECORDS, RECORDS OF SAID COUNTY; THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SAID LOT 6, 64.3 FEET TO THE SOUTHWEST CORNER OF SAID LOT; THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID LOT 6, 453.9 FEET TO THE CENTER LINE OF JONATA ROAD AND THE NORTHWEST CORNER OF SAID LOT 6; THENCE EASTERLY ALONG SAID CENTER LINE OF JONATA ROAD AND THE NORTHERLY LINE OF SAID LOT 6, 74.3 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF LAND IN DEED TO PETER N. JORGENSEN AND KATHRYN JORGENSEN, HIS WIFE RECORDED MAY 10, 1957 AS INSTRUMENT NO. 9080 IN BOOK 1445, PAGE 375 OF OFFICIAL RECORDS.

APN# 139-092-018

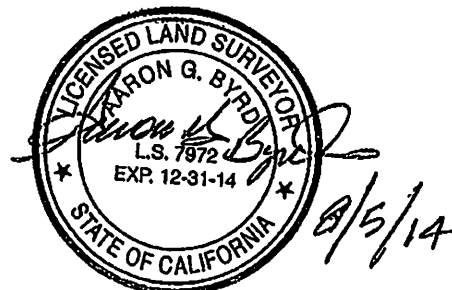


EXHIBIT D

COUNTY HOME LOAN NOTE

COUNTY HOME LOAN PROMISSORY NOTE

Santa Barbara, California

\$180,000

October 14, 2014

FOR VALUE RECEIVED, 1758 Laurel Ave., L.P., a California limited partnership ("Borrower"), whose address is 5947 Variel Avenue, Woodland Hills, California 91367, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California ("Lender"), whose address is 105 E. Anapamu Street, Room 105, Santa Barbara, California 93101, the principal amount equal to One Hundred Eighty Thousand Dollars (\$180,000), or so much thereof as may be advanced by Lender to Borrower, together with interest thereon, as set forth below.

1. **PURPOSE.** In order to assist Borrower in developing forty five (45) affordable rental housing units and a manager's unit located at 1758 Laurel Avenue, Solvang, California ("Project"), Lender has agreed to loan the amount of One Hundred Eighty Thousand Dollars (\$180,000) to Borrower, all of which is derived from funds received by the Lender from the United States Department of Housing and Urban Development through the HOME Investment Partnerships Program.

2. **BORROWER'S OBLIGATION.** This promissory note ("County HOME Loan Promissory Note") evidences Borrower's obligation to pay Lender the principal amount of One Hundred Eighty Thousand Dollars (\$180,000), ("County HOME Loan") for the HOME Funds loaned to Borrower by Lender for the specific uses designated in a loan agreement between Borrower and Lender dated October 14, 2014 ("County HOME Loan Agreement").

3. **INTEREST.** Subject to Section 4, this County HOME Loan Promissory Note shall bear simple interest at the rate of three percent (3%) per annum from the date of the first disbursement under the County HOME Loan Agreement and Promissory Note. Interest is not compounding.

4. **DEFAULT INTEREST.** In the Event of Default by Borrower of any of its obligations under this County HOME Loan Promissory Note or the Loan Documents, Borrower shall pay to Lender interest on the outstanding principal of this County HOME Loan Promissory Note, at an annual rate equal to the lesser of (i) ten percent (10%) or (ii) the highest interest allowed by law, in addition to the interest rate provided in Section 3 above, from the date of the Event of Default until the date that the Event of Default is cured or the County HOME Loan is repaid in full. The default interest shall be paid monthly and is due to the County on the first day of each month.

5. **AMOUNT AND TIME OF PAYMENT.** The principal and interest of the County HOME Loan shall be due and payable on the earlier of: (a) fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project, or (b) the date the Property is sold or otherwise transferred, except, if Borrower is a limited partnership and the affordability

covenants are maintained for the duration of the original County affordability period, for a transfer to the General Partner of the Borrower or, a Lender approved affiliate thereof, or (c) Borrower has failed to commence construction as set forth in Section 4.1 of the County HOME Loan Agreement, or (d) an event of default by Borrower, as defined in Section 8.1 of the County HOME Loan Agreement, which has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement. In the event of default by Borrower, as defined in Section 8.1 of the County HOME Loan Agreement, which has not been cured as provided for in Section 8.2 of the County HOME Loan Agreement, the principal and all current and accrued interest shall be due and payable in accordance with Section 9 of this County HOME Loan Promissory Note. See also Section 8.3 Lenders Remedies in the County HOME Loan Agreement. In any event, the principal and all current and accrued interest shall be due and payable no later than July 31, 2070.

6. DEFINITIONS. All initially capitalized terms in this County HOME Loan Promissory Note shall have the definition ascribed to such terms in the County HOME Loan Agreement. The following terms are defined in the County HOME Loan Agreement and repeated here for convenience of reference:

- a. "Annual Financial Statement" means the financial statement of Operating Expenses and Revenue, prepared at the Borrower's expense, by an independent certified accountant reasonably acceptable to Lender, which shall be provided as part of Borrower's annual reporting to Lender.
- b. "County HOME Loan Deed of Trust" means that deed of trust, assignment of rents, and security agreement placed on the Property and the improvements to be constructed thereon as security for the County HOME Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County HOME Loan Deed of Trust.
- c. "County HOME Loan Regulatory Agreement" means the agreement executed by Borrower and Lender and recorded against the Property which regulates the use of the one HOME-Assisted Unit in the Project.
- d. "County HOME Loan Documents" are collectively the County HOME Loan Agreement, the County HOME Loan Promissory Note, the County HOME Loan Deed of Trust, and the County HOME Loan Regulatory Agreement, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.
- e. "Operating Expenses" means, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, annual County monitoring fee, in the amount of \$2,500.00, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses and capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender or the Limited Partner, purchase, repair, servicing and installation of appliances,

equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under the Senior Loans, to Alliant Capital, Ltd. or its affiliate an annual asset management fee of \$6,000 increasing annually based on annual increased in consumer price index (CPI) and to pay and deferred developer fee. The Operating Expenses shall be reported in the Annual Financial Statement.

- f. "Payment Date" means the first day of April following recordation of a notice of completion for the Project and each April 1st thereafter until the Loan is paid in full or forgiven.
- g. "Project" means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of the County HOME Loan Agreement and as defined in 24 CFR 92.2.
- h. "Property" means the property located at 1758 Laurel Avenue, Solvang, California.
- i. "Residual Receipts" means the excess of annual Revenue over annual Operating Expenses. The use of Residual Receipts shall be to first pay the following items: To the limited partner for any unpaid tax credit adjuster amount; to the limited partner to repay any limited partner loans;; to the General Partner the amount of \$6,000 annually, adjusted annually based on the annual increase in the CPI; to Corporation for Better Housing the amount of \$7,450 annually for a period of ten years for the provision of Social Services to tenants; to replenish operating reserves if applicable;; and to pay any guaranty advances made by the general partner. Second, fifty percent (50%) of reminaing residual receipts shall go to Borrower as distribution, percent (16%) to repay the County's HOME loan pusuant to the County loan documents; and Thirty-four percent (34%) to repay the Corporation for Better Housing loan. Any remaining funds will be paid 0.01% to the general partner and 99.99% to the limited partner.
- j. "Revenue" means all gross income received in whole or in part in connection with the Project, as approved by Lender, including but not limited to rents from the units and income from laundry operations, vending machines, meeting space rental, storage, and parking.
- k. "Senior Loans" means the Pacific Western Bank construction loan in first position in an estimated amount of Seven Million Three Hundred Forty Thousand Dollars and No Cents (\$7,340,000) which will convert to a permanent loan in the estimated amount of One Million Two Hundred Sixty One Thousand Six Hundred Dollars and No Cents (\$1,261,600.00) also provided by Pacific Western Bank.
- l. "Term" means the period of time commencing with the date of the County HOME Loan Note and terminating fifty-five (55) years from the date of the recordation of a notice of completion issued for the Project.

7. PAYMENTS. All accrued interest and principal shall be due and payable in accordance with the terms set forth in Section 5. No repayment is due under the County HOME Loan until the Payment Date. Payments shall commence on the first day of April following recordation of a notice of completion issued for the Project. Borrower shall make annual

payments on the County HOME Loan from Residual Receipts in the manner set forth in Section 6.i herein. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year.

All payments made by Borrower shall be applied as follows: first to pay current annual interest due, if any; then to the cumulative interest owed, if any; then to reduce the principal amount of the County HOME Loan.

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, no later than within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest and request an audit by an independent CPA.

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

9. DEFAULT AND ACCELERATION. This County HOME Loan Promissory Note is secured by a County HOME Loan Deed of Trust. All covenants, conditions and agreements contained in the County HOME Loan Deed of Trust and the County HOME Loan Agreement are hereby made a part of this County HOME Loan Promissory Note. Borrower agrees that the principal and all current and accrued interest, shall, at the option of Lender, be immediately due and payable upon any event of default as defined in the County HOME Loan Agreement which has not been cured pursuant to that County HOME Loan Agreement, including without limitation the failure of Borrower to make any payment when due. Upon any event of default, Lender may exercise any other right or remedy permitted under this County HOME Loan Promissory Note and the Loan Documents. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any event of default made or tendered by Borrower's limited partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

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

11. 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 County HOME Loan Promissory Note.

12. WAIVERS. All presentments, notices of dishonor, and protests are waived by all makers, sureties, guarantors, and endorsers of this County HOME Loan Promissory Note, if any.

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

14. **NOTICES.** Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by Lender shall be in writing and may be communicated to Borrower at the principal office of Borrower set forth below, or at such other place or places as Borrower shall designate in writing, from time to time, for the receipt of communications from Lender. Copies of all notices which are sent to Borrower under the terms of the Loan Documents shall also be sent to Borrower's limited Partner at the address below.

BORROWER: 1758 Laurel Ave., LP
c/o Corporation for Better Housing
5947 Variel Avenue
Woodland Hills, CA 91367
Attn: Executive Director

With copy to: Alliant Asset Management Company, LLC
12600 Oxnard St., Suite 1200
Woodland Hills, CA 91367
Attn: General Counsel

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

16. **GOVERNING LAW.** This County HOME Loan Promissory 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.

17. **SEVERABILITY.** Every provision of this County HOME Loan Promissory Note is intended to be severable. If any provision of this County HOME Loan Promissory 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.

18. **TIME.** Time is of the essence in this County HOME Loan Promissory Note.

19. **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 the Borrower's 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.

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

21 NONRECOURSE. Except as expressly provided in the second paragraph of this Section 21, 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 County HOME Loan Promissory Note. The sole recourse of the Lender with respect to the principal of, or interest on, the County HOME Loan Promissory Note shall be to the property securing the indebtedness evidenced by the County HOME Loan Promissory Note. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the County HOME Loan Promissory 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 County HOME Loan Promissory Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.


The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the County HOME Loan Promissory 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 the Borrower in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the County HOME Loan 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 the Borrower other than in accordance with the County HOME Loan Deed of Trust; (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 the County HOME 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 County HOME Loan Deed of Trust.

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

BORROWER:

1758 Laurel Ave., L.P.,
a California limited partnership

By: Corporation for Better Housing, a California
nonprofit public benefit corporation, its general partner

By: 

Executive Director

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

1. DEFINITIONS

All initially capitalized terms in this Agreement shall have the definition ascribed to such terms in the County HOME Loan Agreement. Some of the following terms are defined in the County HOME Loan Agreement and repeated here for convenience of reference. Where such terms are not defined in the County HOME Loan Agreement, the following terms have the meanings and content set forth in this section wherever used in this Agreement or attached exhibits.

1.1 **“ANNUAL INCOME”** means the definition of Annual Income as more particularly defined at 24 CFR 5.609.

1.2 **“AREA MEDIAN INCOME”** means the area 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 the United States Department of Housing and Urban Development (“HUD”) pursuant to the United States Housing Act of 1937, as amended, or such other method of median income calculation applicable to the Lender that HUD may hereafter adopt in connection with said Act.

1.3 **“COUNTY HOME LOAN”** means the loan of HOME funds in the amount of One Hundred Eighty Thousand Dollars (\$180,000) made by the Lender to the Owner to finance certain development costs of the Project pursuant to the County HOME Loan Agreement and the County HOME Loan Note.

1.4 **“COUNTY HOME LOAN AGREEMENT”** is the loan agreement executed by and between the Owner and the Lender, setting forth the terms and conditions governing the County HOME Loan.

1.5 **“COUNTY HOME LOAN DEED OF TRUST”** means that certain deed of trust, assignment of rents, and security placed on the Property and the improvements to be constructed thereon as security for the County HOME Loan with the Owner as trustor and the Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust.

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

1.7 **“COUNTY HOME LOAN NOTE”** means the promissory note executed by the Owner in favor of the Lender in the amount of One Hundred Eighty Thousand Dollars

(\$180,000), evidencing the County HOME Loan, which is secured by the County HOME Loan Deed of Trust, as well as any amendments to, modifications of, or restatements of said promissory note.

1.8 "HOME-ASSISTED UNIT" means any of the 45 Units on the Property designated by the Owner as units with restricted occupancy and rents pursuant to and subject to the requirements of this Agreement. A unit shall not be considered a HOME-Assisted Unit until the Unit has been constructed and made available for occupancy.

1.9 "LENDER" is the County of Santa Barbara, a political subdivision of the State of California, and its authorized representatives, officers, officials, directors, employees, and agents.

1.10 "OWNER" means 1758 Laurel Ave., L.P., a California Limited Partnership.

1.11 "PROJECT" means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of the County HOME Loan Agreement.

1.13 "PROPERTY" means the real property located at 1758 Laurel Avenue, Solvang, California, as more particularly described in Exhibit A attached hereto and incorporated herein, including the improvements constructed thereon pursuant to the County HOME Loan Agreement.

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

1.15 "QUALIFYING RENT" means the total monthly charges for rent, which shall not exceed either

a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111, or

b) one twelfth (1/12) of thirty percent (30%) of the annual income of a family whose income equals fifty percent (50%) of Area Median Income with adjustments for household size in accordance with 24 CFR 92.252(b).

In accordance with 24 CFR 92.252(d), if the tenant pays for utilities and services (excluding telephone), then the Qualifying Rent shall be reduced by the maximum monthly allowance for utilities and services using the annual HUD Utility Schedule Model or other annual utility schedule as determined by the County.

1.16 "TAX CREDIT REGULATORY AGREEMENT" means that regulatory agreement required by the California Tax Credit Allocation Committee that will be recorded after completion of the Project and that restricts the Tenant income and rents for all units in the Project, with the exception of the Project's one (1) manager's unit which shall not be so restricted.

1.17 "TENANT" means a household occupying a Unit.

1.18 "TERM" means the period of time during which the HOME-Assisted Units must meet the affordability requirements imposed under the HOME Program, commencing upon

project completion in conformance with 24 CFR 92.2 and 24 CFR 92.252(e) and terminating twenty (20) years from the date of the issuance of a certificate of occupancy issued for the Project plus six months.

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

1.20 "VERY LOW-INCOME HOUSEHOLD" means a household, as defined in 24 CFR 92.2, whose annual income does not exceed fifty percent (50%) of the Area Median Income with adjustments for household size.

2. TERM AND COMPLIANCE

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

2.2 **TERM OF AGREEMENT.** This Agreement shall commence upon project completion in conformance with 24 CFR 92.2 and 24 CFR 92.252(e) and terminate twenty (20) years from the date of the issuance of a certificate of occupancy plus six months. The requirements of this Agreement shall apply throughout the Term without regard to the term of any loan or mortgage or any transfer of ownership of the Property. Upon termination of this Agreement, Owner shall be required to comply with the terms of the Tax Credit Regulatory Agreement to be recorded after completion of the Project for the duration of the County HOME Loan.

2.3 **COMPLIANCE WITH PROGRAM REQUIREMENTS.** The Owner shall comply with all requirements imposed on projects assisted under the HOME Program in effect on the date the County HOME Loan is executed by all parties, and as may be amended from time to time.

3. PROJECT OCCUPANCY AND RENTS

3.1 **OCCUPANCY OF PROJECT.** A total of one (1) Unit in the Project shall be designated as the HOME-Assisted Unit. The HOME-Assisted Unit must be occupied, or reserved for occupancy by, Qualifying Households.

3.2 **HOME-ASSISTED UNITS.** The Owner shall limit for the full Term of this Agreement the rental of one (1) HOME-Assisted Units to Qualifying Households at Qualifying Rents that do not exceed the maximum rental charges for each HOME-Assisted Unit as set forth in Section I above. The one (1) HOME-Assisted Unit shall be designated as a "floating" unit, so that the Unit that is designated as the HOME-Assisted Unit may change over time as long as the total number of HOME-Assisted Units in the Project remains constant, and as long as the HOME-Assisted Unit consists of either one (1) one-bedroom unit or one (1) two-bedroom unit.

The one (1) HOME-Assisted Unit shall meet the following standards:

- A. Be similarly constructed and of comparable quality to all other Units in the Project and be dispersed throughout the Project; and
- B. Provide Tenants of HOME-Assisted Units access and enjoyment of all common areas and facilities of the Project on the same basis as Tenants of other Units.

3.3 OTHER PROJECT UNITS. The remaining forty-four (44) non HOME-Assisted units of the Project, excluding the one (1) manager's unit, shall comply with the rent and income restrictions and other terms of the Tax Credit Regulatory Agreement. Non-compliance under the terms of the Tax Credit Regulatory Agreement shall constitute an event of default under the County HOME Loan Agreement, subject to applicable cure periods.

3.4 MAXIMUM RENTAL CHARGES.

A. Maximum rental charges for the HOME-Assisted Units shall not exceed the Qualifying Rent as defined above in Section 1.15.

B. The Qualifying Rent for each HOME-Assisted Unit shall be set by the Lender at the time of initial occupancy of the Project. Annual increases in Qualifying Rents shall be calculated based on the change in Area Median Income published annually by HUD. At least sixty (60) calendar days prior to increasing Qualifying Rents on any HOME-Assisted Unit on the Project, Owner shall submit to the Lender for review and approval a written request for such increase. Tenants of Home-Assisted Units shall be given at least thirty (30) days written notice prior to any increase in Qualifying Rents, consistent with state law. Lender shall approve such request if the increased Qualifying Rents will comply with all applicable HOME Program requirements.

3.4.1 OCCUPANCY DEADLINES. Owner shall ensure that the one (1) HOME-Assisted Unit is occupied by eligible tenants in accordance with the deadlines for occupancy set forth at 24 CFR 252. Eligible tenants shall occupy the one (1) HOME-Assisted Units within eighteen months from the completion of construction for the Project, evidenced by the recording of a notice of completion and securing Certificate(s) of Occupancy. In the event that any of the one (1) HOME-Assisted Units are not occupied by eligible tenants five months after the date of the issuance of a certificate of occupancy, Owner shall submit to Lender within ten (10) days a detailed record of its marketing efforts and comply with Lender's requests for additional information pertaining to the marketing efforts. In the event the one (1) HOME-Assisted Unit is not occupied by eligible tenants within 17 months after the date of the issuance of a certificate of occupancy, then this shall constitute an Event of Default. On or before the last day of the 17th month after the date of the issuance of a certificate of occupancy, Lender shall give written notice to Owner in accordance with Section 6.2 herein. Owner shall have 30 days from receipt of such notice to cure the breach, but in any event shall cure the breach before the end of the 18th month after the date of the issuance of a certificate of occupancy.

3.5 INCOME CERTIFICATION.

The Annual Income levels and other qualifications of applicants for HOME-Assisted Units shall be certified by Owner no earlier than sixty (60) calendar days prior to the Qualifying Household's expected occupancy of a HOME-Assisted Unit and recertified annually thereafter by the Owner.

If the household size of a Qualifying Household occupying a HOME-Assisted Unit changes, the Owner may request additional information and documentation to determine eligibility.

A. Initial Annual Income Verification. Before the Qualifying Household occupies a HOME-Assisted Unit, the Owner shall verify that the Annual Income provided in an Annual Income certification is accurate by taking both of the following steps as a part of the verification process:

- (1) Third Party Verification: All third parties (e.g., employer, Social Security Administration, public assistance agency, etc.) are contacted to provide information to verify Annual Income. Written requests and responses are required; and
- (2) Review of Documents: The Qualifying Household provides documents verifying their Annual Income (e.g., pay stubs, tax returns, etc.). These documents must then be retained in the Project files.

B. Annual Income Recertification. At the time of lease renewal or pursuant to an annual schedule adopted by the Owner, and no later than the one-year anniversary of the initial Annual Income verification and annually thereafter, Owner shall recertify the Annual Income of each Tenant occupying a HOME-Assisted Unit using the method as described in Section 3.5.A, above.

3.6 INCREASES IN QUALIFYING HOUSEHOLD INCOMES.

C. In the event that recertification of a previously-Qualifying Household's Annual Income indicates that the Annual Income exceeds the maximum designated for a Very Low-Income Household, the Owner may increase rents on such Unit as permitted by HUD. In such event, the Owner must rent the next available Unit ("Comparable Unit") to a Qualifying Household at no more than the Qualifying Rent allowed for such Qualifying Household pursuant to Section 3.4 A. When the Comparable Unit is rented to the next Qualifying Household then that Comparable Unit will become a HOME-Assisted Unit for the purposes of this Agreement including the Qualifying Rent restrictions provided herein. Upon such occurrence, the original Unit with the non-Qualifying Household will no longer be designated a HOME-Assisted Unit.

4. LEASING THE PROJECT.

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

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

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

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

1. *Agreement to be sued.* Agreement by the Tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2. *Treatment of property.* Agreement by the Tenant that the Owner may take, hold or sell personal property of Qualifying Household members without notice to the Tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the Tenant concerning disposition of personal property remaining in the HOME-Assisted Unit after the Tenant has moved out of the HOME-Assisted Unit. The Owner may dispose of this personal property in accordance with State law;

3. *Excusing Owner from responsibility.* Agreement by the Tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

4. *Waiver of notice.* Agreement of the Tenant that the Owner may institute a lawsuit without notice to the Tenant;

5. *Waiver of legal proceedings.* Agreement by the Tenant that the Owner may evict the Tenant or Qualifying Household members without instituting a civil court proceeding in which the Tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

6. *Waiver of a jury trial.* Agreement by the Tenant to waive any right to a trial by jury;

7. *Waiver of right to appeal court decision.* Agreement by the Tenant to waive the Tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

8. *Tenant chargeable with cost of legal actions regardless of outcome.* Agreement by the Tenant to pay attorney's fees or other legal costs even if the Tenant wins in a court proceeding by the Owner against the Tenant. The Tenant, however, may be obligated to pay costs if the Tenant loses.

9. *Mandatory support services.* Agreement by the Tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

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

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

4.3 SECTION 8 CERTIFICATE HOLDERS. The Owner will accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that are 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.

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

4.5 NONDISCRIMINATION. The Owner shall not discriminate or segregate in the use, enjoyment, occupancy, conveyance, lease, sublease, or rental of Units on the basis of race, color, ancestry, national origin, religion, sex, sexual preference, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), or any basis prohibited by law. The Owner shall include a statement in all advertisements, notices and signs for the availability of Units for rent to the effect that the Owner is an Equal Housing Opportunity Provider.

4.6 MARKETING PLAN. Prior to occupancy, Owner shall submit to the Lender for approval its plan for marketing the 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. The Lender's disapproval of the revised marketing plan shall constitute an Event of Default under Sections 8.1.D, 8.1.E, and/or 8.1.I of the County HOME Loan Agreement.

5. PROPERTY MANAGEMENT

5.1 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 Qualifying Household size and Annual 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 which consent shall not be unreasonably withheld.

5.2 APPROVAL OF MANAGEMENT POLICIES. The Owner shall submit its written management policies with respect to the Project to the Lender for its review, and shall amend such policies in any way necessary to ensure that such policies comply with the provisions of this Agreement, the requirements of the existing HOME Program, as may be amended from time to time, and the requirements of all lenders providing financing for the Project.

5.3 INSPECTION AND RECORDS. The Owner shall maintain records which clearly document the Owner's performance of its obligations to operate the Property under the terms of this Agreement. The Owner shall submit all requested 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 Property for compliance with Owner's obligations under this Agreement upon twenty-four (24) hours advance notice of such visit by the Lender to the Owner or the Owner's Property manager and to Tenants of any Units.

5.4 COMPLIANCE MONITORING. The Owner shall operate the Property in full compliance with this Agreement and the HOME Program regulations at 24 CFR Part 92 in effect on the date the County HOME Loan is executed by all parties, and as may be amended from time to time, and shall remain in compliance therewith throughout the Term of this Agreement. The Owner shall permit the Lender to conduct annual compliance monitoring, including performing on-site records review and inspections of the Property, as required by regulation or reasonably requested by Lender.

5.5 ANNUAL REPORT. The Owner shall submit to the Lender a report in a form approved by Lender for the preceding period of January 1st through December 31st, containing the information requested by Lender so as to allow the Lender to determine the Owner's compliance with this Agreement. The report shall be submitted annually no later than March 1st, and shall include, at a minimum: (i) an Annual Financial Statement as defined in Section 1.2 of the County HOME Loan Agreement, (ii) a report on the occupancy of the Project, (iii) a report on the physical condition of the Project, (iv) a report on the general management of the Project, (v) for each HOME-Assisted Unit, the rent, Annual Income, and household size of the household in occupancy. The report shall also state the date the tenancy commenced for each HOME-Assisted Unit and such other information as the Lender may be request.

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

5.6 FEES, TAXES, AND OTHER LEVIES. The Owner shall be responsible for payment of all fees, assessments, taxes, charges and levies imposed by any public authority or utility company with respect to the Property, and shall pay such charges prior to delinquency.

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

5.8 MAINTENANCE OF EXISTING STRUCTURES. Owner shall maintain all buildings on the Property in good condition, in good repair and in a decent, safe, sanitary, habitable and tenantable condition. All Units in the Project must meet the standards set out in 24

CFR 92.251(f)(2) throughout the Term of this Agreement. Owner 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 Property. Lender shall have no responsibility over maintenance of the Property.

6. GENERAL PROVISIONS

6.1 SUBORDINATION. This Agreement shall be senior and not be subordinate to any deed of trust, note, agreement and/or to any other obligations of Lender concerning the Property and may be subordinated in priority only as to liens and encumbrances otherwise approved in writing by the Lender in its sole and absolute discretion, except as provided in the Loan Subordination Agreement (Solvang Senior Apartments HOME Loan) in favor of Pacific Western Bank.

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

- A. Bring an action in equitable relief seeking the specific performance by the Owner of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;
- B. Enter upon, take possession of, and manage the Property and the 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 County HOME Loan Documents or allowed at law or in equity.

6.3 EVENT OF DEFAULT. In the event that the Project fails to meet the HOME affordability requirements included in this Agreement for the Term of the Agreement, this shall constitute an Event of Default under Sections 8.1.D, 8.1.E, and/or 8.1.I of the County HOME Loan Agreement. In the event that the Project fails to meet the terms of the Tax Credit Regulatory Agreement, this shall constitute an Event of Default under Sections 8.1.D, 8.1.E, 8.1.I and/or 8.1.J of the County HOME Loan Agreement.

6.4 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS. No official elected or appointed, officer, director, employee or agent of the Lender shall be personally liable to the Owner for any obligation created under the terms of this Agreement.

6.5 INSURANCE AND INDEMNITY. Owner shall comply with the insurance and indemnification provisions set forth in Exhibit B and incorporated herein by this reference.

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

6.7 AGREEMENT CONTROLS. In the event that any provision of this Agreement and that contained in any other Loan Document conflict, the terms of this Agreement shall control.

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

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

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

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

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

Owner: 1758 Laurel Ave., L.P.
5947 Variel Avenue
Woodland Hills, CA 91367
Attn: Executive Director

With a copy to: Alliant Asset Management Company, LLC
21600 Oxnard St., Suite 1200
Woodland Hills, CA 91367
Attention: General Counsel

6.11 BINDING UPON SUCCESSORS. This Agreement shall be recorded and all provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, 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 County HOME Loan or County HOME Loan Note, any reconveyance of the County HOME Loan Deed of Trust, or any conveyance or transfer of the Property or portion thereof.

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

6.13 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 County HOME 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 Owner's obligations under this Agreement. Consent by the Lender to any act or omission by the Owner shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for the Lender's written consent to future waivers.

6.14 AMENDMENTS AND MODIFICATIONS. Any amendment to or modification of this Agreement must be in writing, and shall be made only if executed by both the Owner and the Lender.

6.15 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.

Signatures appear on following page. No further text appears here.

IN WITNESS WHEREOF, County and Borrower have caused this Agreement to be executed by their respective duly authorized officers.

ATTEST:

MONA MIYASATO
Clerk of the Board

By: _____
Deputy Clerk of the Board

LENDER:

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

By: _____
Steve Lavagnino, Chair
Board of Supervisors

**APPROVED AS TO ACCOUNTING
FORM:**

ROBERT W. GEIS, CPA
AUDITOR-CONTROLLER

By: _____
Deputy

By: _____
Director

APPROVED AS TO FORM

COUNTY COUNSEL

By: _____
Deputy County Counsel

BORROWER

1758 Laurel Ave., L.P.,
a California Limited Partnership

By:
Corporation for Better Housing,
a California nonprofit public benefit corporation,
its general partner

**APPROVED AS TO FORM:
RISK MANAGEMENT**

By: _____
Ray Aromatorio, ARM, AIC
Risk Manager

By: 
Executive Director

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

State of California }
County of Los Angeles

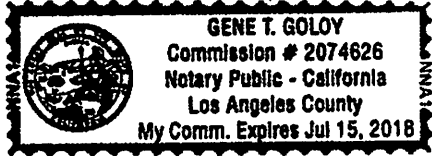
On October 1, 2014 before me, Gene T. Goloy, Notary Public
Date Here Insert Name and Title of the Officer

personally appeared Lori Koester
Name of Signer(s)

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.



Place Notary Seal Above

Signature [Handwritten Signature]
Signature of Notary Public

OPTIONAL

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

Description of the Attached Document

Title of Type of Document: County Home Loan Regulatory Agreement & Declaration of Restrictive Covenant

Document Date: October 14, 2014 Number of Pages: 15

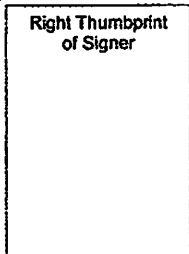
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signers Name: Lori Koester

- Individual
- Corporate Officer – Title(s): _____
- Partner - Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: General Partner

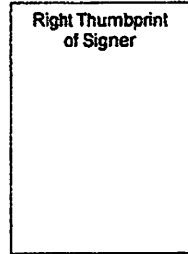
Signer is Representing: _____
1758 Laurel Ave, L.P.



Signers Name: _____

- Individual
- Corporate Officer – Title(s): _____
- Partner - Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer is Representing: _____



State of California
County of Santa Barbara

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California
County of Santa Barbara

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

Exhibit A
Legal Description of the Property

EXHIBIT A

LEGAL DESCRIPTION

PARCEL 1

THAT PORTION OF LOT 7-A OF THE SUBDIVISION OF "PART OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND PART OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 6 NORTH, RANGE 31 WEST, S.B.M. IN THE CITY OF SOLVANG, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA" AS PER MAP THEREOF FILED IN BOOK 6, PAGE 57 OF MAPS AND SURVEYS, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A 3/4" PIPE 359.9 FEET EAST OF THE NORTHWEST CORNER OF LOT 7-B, AS SHOWN ON SAID MAP; THENCE SOUTH 453.9 FEET TO A 3/4" PIPE; THENCE EAST 96 FEET TO A 3/4" PIPE; THENCE NORTH 453.9 FEET TO A 3/4" PIPE; THENCE WEST 96 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF LAND IN A DEED TO VIGGO R. PEDERSEN AND DAGMAR E. PEDERSEN, HIS WIFE RECORDED JULY 9, 1954 AS INSTRUMENT NO. 11520 IN BOOK 1252, PAGE 220 OF OFFICIAL RECORDS.

APN# 139-092-009

PARCEL 2

THAT PORTION OF LOT 6 OF THE SUBDIVISION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND PART OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 15, TOWNSHIP 6 NORTH, RANGE 31 WEST, S.B.M. IN THE CITY OF SOLVANG, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, ACCORDING TO THE MAP THEREOF RECORDED IN BOOK 6, AT PAGE 57 OF MAPS AND SURVEYS, RECORDS OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE CENTER LINE OF JONATA ROAD, DISTANT THEREON NORTH 89' 47' WEST 168 FEET FROM THE INTERSECTION THEREOF WITH THE CENTER LINE OF EAST ROAD, SAID POINT OF BEGINNING BEING THE NORTHWEST CORNER OF THE TRACT OF LAND DESCRIBED IN DEED TO MARGARET BERBERNES, DATED NOVEMBER 25, 1929 AND RECORDED IN BOOK 202, AT PAGE 244 OF OFFICIAL RECORDS, RECORDS OF SAID COUNTY; THENCE SOUTHERLY ALONG THE WESTERLY LINE OF SAID BERBERNES TRACT OF LAND 198 FEET TO THE SOUTHWEST CORNER THEREOF; THENCE EASTERLY ALONG THE SOUTHERLY LINE OF SAID LAST MENTIONED TRACT LAND, 36 FEET TO THE SOUTHEAST CORNER THEREOF AND A POINT IN THE WESTERLY LINE OF THE TRACT OF LAND DESCRIBED IN THE DEED TO TERMANN PAASKE, DATED OCTOBER 21, 1920 AND RECORDED IN BOOK 199 AT PAGE 299 OF DEEDS, RECORDS OF SAID COUNTY; THENCE SOUTHERLY ALONG SAID LAST MENTIONED LINE, 18.50 FEET TO THE SOUTHWEST CORNER THEREOF, BEING A POINT IN THE NORTHERLY LINE OF THE TRACT OF LAND DESCRIBED IN DEED TO TERMANN PAASKE, DATED OCTOBER 21, 1920 AND RECORDED IN BOOK 199, AT PAGE 300 OF DEEDS, RECORDS OF SAID COUNTY; THENCE WESTERLY ALONG THE NORTHERLY LINE OF SAID LAST MENTIONED TRACT OF LAND, 46 FEET TO THE NORTHWEST CORNER THEREOF; THENCE SOUTHERLY ALONG THE WESTERLY LINE OF SAID LAST MENTIONED TRACT OF LAND AND ITS SOUTHERLY PROLONGATION, 237.4 FEET TO A POINT IN THE SOUTHERLY LINE OF SAID LOT 6 ABOVE REFERRED TO AND THE SOUTHWEST CORNER OF THE TRACT OF LAND DESCRIBED IN DEED TO JORGEN H. WARTENBERG, DATED APRIL 30, 1926 AND RECORDED IN BOOK 95 AT PAGE 319 OF OFFICIAL RECORDS, RECORDS OF SAID COUNTY; THENCE WESTERLY ALONG THE SOUTHERLY LINE OF SAID LOT 6, 64.3 FEET TO THE SOUTHWEST CORNER OF SAID LOT; THENCE NORTHERLY ALONG THE WESTERLY LINE OF SAID LOT 6, 453.9 FEET TO THE CENTER LINE OF JONATA ROAD AND THE NORTHWEST CORNER OF SAID LOT 6; THENCE EASTERLY ALONG SAID CENTER LINE OF JONATA ROAD AND THE NORTHERLY LINE OF SAID LOT 6, 74.3 FEET TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION OF LAND IN DEED TO PETER N. JORGENSEN AND KATHRYN JORGENSEN, HIS WIFE RECORDED MAY 10, 1957 AS INSTRUMENT NO. 9080 IN BOOK 1445, PAGE 375 OF OFFICIAL RECORDS.

APN# 139-092-018

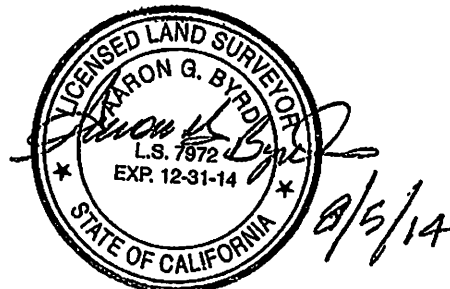


Exhibit B

Standard Indemnification and Insurance Provisions

EXHIBIT B
STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS
for contracts NOT requiring professional liability insurance

INDEMNIFICATION

SUBRECIPIENT shall defend, indemnify and save harmless the COUNTY, its officials, 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 SUBRECIPIENT or its agents, representatives, employees or other independent contractors directly responsible to it; 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.

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

1. Workers' Compensation Insurance: Statutory Workers' Compensation and Employers Liability Insurance shall cover all SUBRECIPIENT'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 SUBRECIPIENT 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 SUBRECIPIENT has no employees as defined in California Labor Code Section 3350 et seq. during the entire period of this Agreement and SUBRECIPIENT submits a written statement to the COUNTY stating that fact.
2. General and Automobile Liability Insurance: The general liability insurance shall include bodily injury, property damage and personal injury liability coverage, shall afford coverage for all premises, operations, products and completed operations of SUBRECIPIENT and shall include contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the SUBRECIPIENT in the indemnity and hold harmless provisions [above] of the Indemnification Section of this Agreement between COUNTY and SUBRECIPIENT. The automobile liability insurance shall cover all owned, non-owned and hired motor vehicles that are operated on behalf of SUBRECIPIENT pursuant to SUBRECIPIENT's activities hereunder. SUBRECIPIENT shall require all subcontractors to be included under its policies or furnish separate certificates and endorsements to meet the standards of these provisions by each subcontractor. COUNTY, its officials, officers, agents, and employees shall be Additional Insured status on any policy. A cross liability clause, or equivalent wording, stating that coverage will apply separately to each named or additional insured as if separate policies had been issued to each shall be included in the policies. A copy of the endorsement evidencing that the policy has been changed to reflect the Additional Insured status must be attached to the certificate of insurance. The limit of liability of said policy or policies for general and automobile liability insurance shall not be

EXHIBIT B
STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS
for contracts NOT requiring professional liability insurance

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 if the COUNTY has other valid and collectible insurance, that other insurance shall be excess and non-contributory."

If the policy providing liability coverage is on a 'claims-made' form, the SUBRECIPIENT 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.

SUBRECIPIENT 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 SUBRECIPIENT may be held responsible for payment of damages resulting from SUBRECIPIENT'S services of operation pursuant to the Agreement, nor shall it be deemed a waiver of COUNTY'S rights to insurance coverage hereunder.

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

The above insurance requirements are subject to periodic review by the COUNTY. The COUNTY'S Risk Program Administrator 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. SUBRECIPIENT agrees to execute any such amendment within thirty (30) days of acceptance of the amendment or modification.

EXHIBIT F

STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS

EXHIBIT F
STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS
for contracts NOT requiring professional liability insurance

INDEMNIFICATION

SUBRECIPIENT shall defend, indemnify and save harmless the COUNTY, its officials, 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 SUBRECIPIENT or its agents, representatives, employees or other independent contractors directly responsible to it; 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.

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

1. Workers' Compensation Insurance: Statutory Workers' Compensation and Employers Liability Insurance shall cover all SUBRECIPIENT'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 SUBRECIPIENT 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 SUBRECIPIENT has no employees as defined in California Labor Code Section 3350 et seq. during the entire period of this Agreement and SUBRECIPIENT submits a written statement to the COUNTY stating that fact.
2. General and Automobile Liability Insurance: The general liability insurance shall include bodily injury, property damage and personal injury liability coverage, shall afford coverage for all premises, operations, products and completed operations of SUBRECIPIENT and shall include contractual liability coverage sufficiently broad so as to include the insurable liability assumed by the SUBRECIPIENT in the indemnity and hold harmless provisions [above] of the Indemnification Section of this Agreement between COUNTY and SUBRECIPIENT. The automobile liability insurance shall cover all owned, non-owned and hired motor vehicles that are operated on behalf of SUBRECIPIENT pursuant to SUBRECIPIENT's activities hereunder. SUBRECIPIENT shall require all subcontractors to be included under its policies or furnish separate certificates and endorsements to meet the standards of these provisions by each subcontractor. COUNTY, its officials, officers, agents, and employees shall be Additional Insured status on any policy. A cross liability clause, or equivalent wording, stating that coverage will apply separately to each named or additional insured as if separate policies had been issued to each shall be included in the policies. A copy of the endorsement evidencing that the policy has been changed to reflect the Additional Insured status must be attached to the certificate of insurance. The limit of liability of said policy or policies for general and automobile liability insurance shall not be

EXHIBIT F
STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS
for contracts NOT requiring professional liability insurance

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 if the COUNTY has other valid and collectible insurance, that other insurance shall be excess and non-contributory."

If the policy providing liability coverage is on a 'claims-made' form, the SUBRECIPIENT 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.

SUBRECIPIENT 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 SUBRECIPIENT may be held responsible for payment of damages resulting from SUBRECIPIENT'S services of operation pursuant to the Agreement, nor shall it be deemed a waiver of COUNTY'S rights to insurance coverage hereunder.

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

The above insurance requirements are subject to periodic review by the COUNTY. The COUNTY'S Risk Program Administrator 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. SUBRECIPIENT agrees to execute any such amendment within thirty (30) days of acceptance of the amendment or modification.

EXHIBIT G
MANAGEMENT PLAN

MANAGEMENT PLAN

PROJECT NAME: Solvang Senior Apartments (the "Project")
PROJECT LOCATION: 1758 Laurel Avenue
Solvang, California

OWNER NAME: 1768 Laurel Ave. LP (the "Owner")
MANAGING AGENT: CBH Property Management, LLC (the "Managing Agent")

Development Description. The Project is a 45-unit senior housing tax credit rental community.

Statement of Management Policy. The Managing Agent's primary objective is to ensure resident satisfaction and the Project's long-term optimal financial performance and physical condition by providing high quality apartment living and essential services for the residents. The purpose of this Management Plan (the "Plan") is to delineate the relationship between the Owner and the Managing Agent, and to detail the policies, procedures and regulatory requirements that will apply to the management of the Project.

Specifically, this Plan is a definite action plan that will ensure the following:

- A well managed and appropriately maintained senior apartment community.
- A pleasant, healthy, and secure residential living environment.
- An agreeable relationship among the residents, the Management Agent's employees, and members of the Solvang community.

At least annually, the Managing Agent will review this Management Plan with the Owner to determine whether any changes are required to implement procedural changes or new laws and regulations affecting management operations. Any proposed changes will be incorporated into an updated management plan and be forwarded to the Owner and limited partner for review and approval.

I. MANAGEMENT

A. Roles and Responsibilities of the Owner and Managing Agent. The Managing Agent, relying upon previous experience with effective management practice, will provide advice and recommendations to the Owner to establish and thereupon implement general policies and procedures for the Project's operation, which will include, but not be limited to, property management operations; resident selection criteria; eviction policies; house rules; security and emergency service; social services; and cash management procedures.

When the Owner has reviewed and approved these policies and procedures, the Owner will delegate authority to the Managing Agent to implement them. Utilizing appropriate means and methodologies, the Managing Agent will regularly advise the Owner regarding Project operations. In addition, the following procedures will be followed to ensure effective day-to-day operations and to maximize collaboration between the Owner and the Managing Agent:

1. The Resident Manager will directly supervise the day-to-day operation of the Project, and will report to the Managing Agent.
2. At the Managing Agent's discretion, the Resident Manager may provide reports to the Owner, and the Owner may appoint a liaison to report to the Managing Agent.
3. The Managing Agent and the Owner will regularly meet to review operational policies, management procedures, resident relations, and budget control, as well as to implement necessary changes, it being understood that no such changes may occur without the prior approval of the Owner.
4. The Owner's concerns and suggestions will generally be communicated to the Managing Agent, or the Resident Manager, either or both of whom will provide appropriate direction to the Resident Manager.

As described in the Management Agreement, the Managing Agent will prepare the annual operating budget for the Owner's approval. If items need to be purchased that were not budgeted or would result in a budget overage, the Managing Agent will promptly inform the Owner, who will review and approve such additional purchases.

In the event that the Managing Agent must arrange for emergency repairs involving manifest danger to persons or property, or make payments required to avoid suspension of any necessary service to the Project, the Managing Agent will inform the Owner of the facts as promptly as is feasible.

The Managing Agent and the Owner will enter into a Management Agreement that will provide detailed responsibilities to be assumed by the parties. Such responsibilities will be clearly assigned and described and will not overlap.

Should the Owner or Managing Agent terminate the Management Agreement, the Managing Agent will transfer all Project files to the Owner. These files will include all documents relating to Project management and marketing.

After the Project is fully occupied the Owner and Managing Agent will agree to the procedures outlined therefor in the Management Agreement.

B. Personnel Policies and Staffing Requirements. After establishing personnel and staffing requirements the Managing Agent will hire, train, pay and supervise all Project personnel, including independent contractors and other service providers.

The anticipated staffing pattern will be as follows:

<u>Title and Position</u>	<u>Compensation</u>	<u>Hours</u>
Resident Manager	Per approved operating budget	Full time
Maintenance Personnel	Per approved operating budget	Full time

Additional staffing may include, but not be limited to the following:

<u>Title and Position</u>	<u>Compensation</u>	<u>Hours</u>
Assistant Resident Manager	Per approved operating budget	Full/Part time
Assistant Maintenance/Porter	Per approved operating budget	Full/Part time

The Resident Manager will report to the Regional Manager who reports to the Managing Agent.

Support staff in the office of the Managing Agent will participate in Project marketing and management. These positions will include clerical and accounting personnel, whose responsibilities will include administrative functions, preparation of financial reports, reviewing the Project's financial reports and contacting site personnel as necessary.

The hiring of the Managing Agent's employees will conform to Equal Employment Opportunity requirements: the Managing Agent will not discriminate against any applicant for employment because of race, religion, color, ancestry, national origin, age, sex, pregnancy, marital status, disability, sexual orientation or AIDS. The Managing Agent will ensure that the composition of the on-site staff will reflect the ethnic composition of Project residents and the surrounding community.

The Managing Agent will require all employees to execute an agreement that includes all Federal and State of California laws regarding fair housing. Such documentation will be maintained at the Owner's office.

The Managing Agent will ensure that particular effort will be made to provide information regarding job openings to minority candidates and contractors by means of outreach to appropriate community organizations, bulletin boards, newspapers and other media. All hiring materials will include the following language: "Solvang Senior Apartments is an Equal Opportunity Employer."

The Managing Agent will hire personnel with previous experience in their particular professional fields. All personnel will also receive training specific to the Managing Agent's policies and procedures, including specialized training regarding TCAC, HCD, and all other financing requirements and policies and will consist of the following:

1. One-on-one counseling and supervision by the Project's Resident Manager.
2. Written guidelines, manuals and materials.
3. Periodic attendance or online training workshops sponsored by property management agencies (e.g., MY COACH, LLC).

As stipulated in the Management Agreement, all on-site personnel will be employees of the Managing Agent; however, compensation paid to on-site staff and service providers, and all taxes and assessments incidental to the employment of such personnel, will be treated as a Project expense and paid from the Project's general operating account.

A Project apartment will be a component of the Resident Manager's compensation, and will be treated as income and expense. This apartment is subject to local, state and federal tax regulations.

Employment grievances, termination of employment, and promotions will be conducted in accordance with the Managing Agent's personnel policies and procedures, which will conform to all legal requirements.

C. Plan for Maintaining Adequate Accounting Records and Handling Necessary Forms and Vouchers

1. Financial accounting, reports and records will conform to modified accrual basis accounting procedures and guidelines required by the Project's regulatory agencies.

The Managing Agent will maintain accurate files of all resident transactions, revenue and expenditures, and will prepare and transmit the following monthly reports for the Owner's review within thirty (30) days after the end of each month.

- Cash status report and financial summary
- Monthly and year to date budget comparisons
- List of disbursements
- List of accounts payable
- Vacancy report
- Bank statements with reconciliations
- Certified rent roll
- Balance sheet
- Income statement

2. Invoices will be paid and accounts will be funded consistent with the requirements of the Project's regulatory agreement. Specifically,

- a. The Managing Agent will utilize a purchase order system to document all Project expenses, except items and services provided on a regular contractual basis (e.g., utilities, trash removal, service contracts)
- b. The Project's Regional Manager will normally pre-approve purchases.
- c. The Regional Manager will review the Resident Manager's outstanding purchase orders and will voucher them for payment by the Owner's central office. Checks will be processed semi-monthly for current payables.

The following accounts will be established:

- a. The "Solvang Senior Apartments" general operating account, into which rental payments and miscellaneous income will be deposited and from which the Project's operating expenses will be paid.

- b. The "Solvang Senior Apartments" replacement reserve account, which will be funded by regular contributions from the operating budget, based upon a capital improvements schedule of the anticipated useful lives and replacement needs for major items consistent with the Regulatory Agreement, mortgages and the Partnership Agreement as specified in the Management Agreement.
- c. The "Solvang Senior Apartments" operating reserve account, which will be funded according to the Partnership Agreement and all applicable regulatory and financing agreements.
- d. The "Solvang Senior Apartments" security deposit account, which will be funded by the residents' security deposits. Policies and procedures for administering this account are specified in Section E. below.

3. Procurement of contract services. At least three competitive bids will be sought for contract services greater than \$1,000.00 (e.g., landscape maintenance and services related to periodic such capital improvements as exterior painting and roofing)

The Managing Agent will prepare such bid specifications and supervise the bid proposals and acceptance procedures. If items need to be purchased that either were not budgeted or would bring the Project over budget, the Managing Agent will promptly inform the Owner, who will review and approve such additional purchases.

4. An independent certified professional accounting firm will audit all project financial records annually. The Managing Agent will maintain a computerized general ledger program, which will be continually updated in order to meet the accounting and reporting needs of the Project and to produce a quality audit trail.

Careful monthly monitoring will allow for cost control, prompt identification of potential problems and sufficient lead-time to develop plans to meet Project needs.

The Managing Agent and the Owner will review major budget variances and take appropriate actions to ensure that monthly cash flow will sufficient to meet the Project's operating expenses and deposits to the reserve accounts noted above.

5. In order to ensure strict compliance with all regulatory restrictions, the Managing Agent will routinely review HCD, TCAC and all other pertinent regulatory agreements and financing restrictions, and will establish a manual of instructions, schedules and tickler files indicating set-aside restrictions, deadlines, reporting formats and the like. This manual will be distributed to the Managing Agent's bookkeeping and accounting and to accounting firms providing audits or other reports for the Project.

6. Other reports. The Managing Agent will comply with the annual requirements as specified by all applicable regulatory agreements. These reports will certify that the Project's rent and occupancy levels are consistent with the terms of the subject regulatory agreements. In addition, the Managing Agent will provide reports as required by any other regulatory agencies and investors as detailed in the regulatory and partnership agreement.

The Managing Agent will comply with the requirements of the Department of Housing and Community Development, the California Tax Credit Allocation Committee and all other financing entities as required by annual and other reporting.

The Managing Agent will work with the Owner's independent third-party auditor to insure that the year-end audited financial statement and tax returns are prepared in accurately and timely. Audited financial statements and tax returns are due within 75 days following the close of each partnership's fiscal year.

The Managing Agent will submit to owner an annual operating budget sixty days prior to the close of each fiscal year.

7. Vacancies and rent losses will be noted and recorded on the operating statements summarizing monthly financial activities for the Project. Such losses may be inferred from the monthly variance reports indicating budgeted versus actual rental income.

8. Security deposits. Residents will be required to make a refundable security deposit in accordance with the terms of their leases and applicable state and local laws. The security deposits will be held in a separate interest bearing trust account with a depository insured by an agency of the federal government or a comparable federal deposit insurance program. The balance of this account will, at all times, equal or exceed the aggregate of all outstanding deposits.

When a unit is vacated, the Resident Manager will perform a move-out inspection to determine any damages to be corrected or cleaning necessary over and above normal wear and tear, which will be charged against the security deposit. A resident may, but will not be required to, participate in this inspection. The Resident Manager will compare the move-out inspection form to the move-in inspection form to determine the extent and cost of damages.

Within 21 days from the day of the move-out, the Resident Manager will complete a security deposit refund consistent with all applicable state and federal laws. This process will include analyzing the following:

- a. Security deposit on hand.
- b. Amount of interest earned, if applicable.
- c. Amount of rent or unpaid charges owing as of the date of the move-out.
- d. Amount of damage or cleaning charges to be assessed against the security deposit

The Resident Manager will attach an itemized list of work and actual costs to the forms for repair, cleaning, or replacement of items above actual normal wear and tear, and a refund will be issued if there is a balance in the security account after all applicable and allowable deductions have been made.

As part of the resident orientation interview, residents will receive an explanation of the use of security deposits and sign a security deposit agreement.

D. Insurance. The Managing Agent, with the Owner's approval, will provide insurance for the Project. The sufficiency of such insurance will be reviewed regularly. All insurance policies and renewals thereof will be issued by a carrier in accordance with an industry acceptable form.

All policies of insurance provided for will name the following:

1. The Owner,
2. The Managing Agent, and
3. All Lenders as additional insureds and loss payees consistent with the terms set forth in the Management Agreement and all regulatory and financing agreements

As required by the Management Agreement, the Managing Agent will also report, investigate and pursue the resolution of all accidents or claims in connection with the Project's operation.

II. OCCUPANCY

A. Plan for Sustaining Occupancy. Solvang Senior Apartments is a fully occupied project. Based upon the demographics of the Primary and Secondary Market Areas, it is not anticipated that any household will be relocated to comply with regulatory restrictions. Apartments will be marketed in accordance with Affirmative Fair Housing Marketing Plan and the following resident selection criteria:

1. Application process. Apartments will be rented according to the Project's regulatory agreements. The Resident Manager will conduct screening of prospective residents in accordance with the following procedure:

- a. Applications will be processed and residents selected in the order in which completed applications are received.
- b. The Resident Manager will develop separate lists for each apartment unit size and income designation to meet all HCD, TCAC and other financing entities requirements and regulatory requirements. The Resident Manager will admit applicants according to the dates of their applications. The remaining eligible households will be put on waiting lists according unit sizes and income designations and will receive a letter informing them of their status with an estimate of when the next unit of the size and income designation they seek, based on previous turnover histories for similar housing projects, may become available.
- c. The Resident Manager will stamp, date and number applications when received, then sorted for family size, income level and eligibility status. Ineligible applicants will receive a number in the event they become eligible in the future. Ineligible applicants will be advised of the reason for their ineligibility and their right to appeal this determination.

2. Referral sources. The Project will use public and private community agencies as referral sources for the purpose of notifying the Primary and Secondary Marketing Areas' population of the availability of apartments. In addition, the Resident Manager will prepare and distribute marketing materials, including classified advertisement, to local newspapers, radio stations and other media in accordance with the Project's regulatory agreements.

3. Waiting lists. The Resident Manager will establish a procedure to ensure that waiting lists are kept current and will have adequate number of applicants for each income category. The procedure will include the following:

- a. The Resident Manager will maintain individual lists of applications for each income category.
- b. Applicants will be instructed to notify the Resident Manager of their continued interest at least twice a year.
- c. The Resident Manager will send a postcard will go out to all applicants on the waiting list every six months, requesting them to advise the Resident Manager of their continued interest.

4. Resident orientation. The resident orientation will include the following:

- a. When the rental agreement is due to be signed, the Resident Manager will explain its provisions and the community policies in detail, and provide copies to the new resident.
- b. The Resident Manager will distribute written materials, including general information about the Project, a list of emergency numbers for hospitals, ambulance services, and fire emergency procedures, and neighborhood services and amenities.
- c. The Resident Manager will acquaint new residents with the physical layout and features of the Project, the location of fire alarms, fire extinguishers and fire exits, and review fire precautions and evacuation procedures.
- d. The Resident Manager will inspect the apartment with each new resident(s). The Resident Manager and the resident(s) will sign a checklist certifying to the apartment's condition. The Resident manager will provide written instructions to the new resident(s) explaining service request procedures and the use and care of all appliances.
- e. NOTE: Whenever possible, orientation and orientation materials will be provided to the new resident(s) in English, Spanish, and other languages if the resident is not fluent in English.

B. Procedures for Determining Tenant Eligibility and for Certifying and Annually Recertifying Household Income and Size

1. The Resident Manager will use all local, state and federal requirements to determine resident eligibility at initial rent-up and at subsequent recertification. When filling a vacancy, initial eligibility of prospective residents will be determined by the following procedures:

- a. The Resident Manager will conduct telephone conversation to determine whether the applicant household meets minimum eligibility criteria; if so, the Resident will conduct a personal interview with the prospect.

- b. Prospective residents whom the Resident Manager determines to be ineligible will be so notified so that they will have an opportunity to provide further information if they wish to do so.
- c. Determination of eligibility:

- 1.) Prospective resident will complete an application form with signed permission for third party verification of income.
- 2.) When an applicant's name nears the top of the waiting list, the Resident Manager will confirm pertinent information and will send third-party verification letters to compute income eligibility and to determinate the likelihood that the applicant household will comply with lease requirements.
- 3.) The Resident Manager will conduct a personal interview with all members of the prospective household.
- 4.) The Resident Manager will send written notices to advise applicants of their final eligibility status.

2. Annual resident recertification procedure.

- a. The Resident Manager will record all residents' move-in dates, and will recertify all residents annually within twelve months of their initial move-in date.
- b. Ninety days prior to their recertification date, the Resident Manager will send letters to residents notifying them of their impending recertification date, which requests them to sign the release portion of the third-party verification forms and complete an application for recertification. The latter will be forwarded to the appropriate third parties.
- c. Sixty days prior to the recertification date, the Resident Manager will review the income information and determine the continued eligibility and income status of each resident due to be recertified, and schedule appointments with those residents.
- d. Thirty days prior to the recertification date, the Resident Manager will interview the residents due to be recertified in the following month. At this interview, the residents will be advised of any changes in their eligibility and income status and/or lease obligations.
- e. If a household exceeds the apartment's income level and is eligible to move up to the next income level available at the property, effort will be made to transfer the resident into an available eligible apartment. If an eligible apartment is not available, the Resident Manager will notify the resident that he or she is overqualified and must move out within sixty days, subject to applicable laws and regulatory agreements.

3. Occupancy standards will be established by the Managing Agent and will be implemented in accordance with state and federal regulations and other policies established by the Owner. Special occupancy requirements include the following:

- a. Permissible absences. Residents must live in the apartment as their primary place of residence and should not leave the unit unoccupied for "extended periods of time. Absences for more than one month at a time by more than half of the household members is considered an extended period of time.
- b. Death of a resident. Residents may be required to name a conservator if a resident should die or become disabled. The Resident Manager will obtain from the Resident the identity and contact information to be notified in name and telephone number in an emergency.
- c. Live-in personal care attendants. Residents may require the assistance of a personal care attendant to care for a household member. The Resident Manager will note the attendant's occupancy, the limits of the attendant's obligations, and the exclusion of the attendant's earnings from the household's income for rent calculation purposes.
- d. Changes in household size. The Resident Manager will prepare a lease amendment to document changes in the number of household members. The size of the apartment and its corresponding eligibility income is based on the number of residents.

C. Rent Collection Policies and Procedures. The Project's orientation materials will address rent collection policies and procedures. Such policies and procedures will be consistent, easily understood and strictly enforced.

1. Rent payments will be mailed or delivered to the Resident Manager. Rent is due and payable by personal check or money order only on the first day of the month; if rent is paid after the first day of the month but not later than five working days thereafter, a late charge of \$50.00 will be assessed. Cash is not be accepted. Rent payments will be deposited weekly in the Project's operating account.

2. Rents received after the fifth day of the month will be considered late; the Resident Manager will personally contact delinquent residents and will send or deliver written notices of delinquency to them. If the rent is not received by the tenth of the month, the Managing Agent may, with the Owner's consent, pursue unlawful detainer actions.

3. A service fee of \$25.00 will be charged for returned checks. If two checks are returned as unpaid, the Resident Manager may require rent payment by cashier's check or money order for the following two years.

4. Legal costs incurred in pursuing collections of rents and/or eviction procedures will be borne by the Project and will be paid from the Project's general operating account and billed to the resident as provided in the residential lease.

4. Partial rent payments (except for prorated rents) will not be accepted; however, where the resident is receiving a welfare or social security check, the resident's payment schedule may be arranged accordingly. Payment arrangements will also be considered on an individual basis.

5. The processes prescribed in Project's regulatory agreements will determine rent increases or decreases. Any increases will also conform to HUD's annual determination of the Project's area median income, the MHP income levels, and maximum rents for Santa Barbara County. The Owner will authorize the Managing Agent to modify the rent schedule on an annual basis strictly consistent with governing regulatory agreements and current market conditions.

6. Apartment damages. If a resident should cause damage to the premises, the Resident Manager will bill the resident for the cost of repairs; the resident's security deposits will not be used for such purposes. These damage charges will be kept in the resident's file as a balance due until paid in full; however, should these charges remain unpaid when the resident vacates the apartment, such charges will be deducted from the security deposit refund. Remaining charges for damages in excess of the security deposit may be recovered by referring the case to a third party if it would be cost effective.

7. The Resident Manager may refer residents experiencing financial problems that affect payment of their rent to an appropriate social agency for assistance.

8. The Resident Manager will maintain and regularly update the master rent roll, which will comprise apartment numbers, name(s) of resident(s), rent / subsidy payment(s), and current payment status for each Project apartment.

D. Procedures for Appeals and Grievances. The Managing Agent and the Resident Manager will strictly enforce the terms of the lease and exhibits and attachments thereto regarding eviction policies and procedures, which will be consistent with applicable HCD, TCAC and other regulations and regulatory agreements.

1. Case handling procedures:

a. As noted above, resident experiencing having financial problems that affect rent payments may be referred to an appropriate social agency for assistance. The Resident Manager will maintain a list of such agencies, which will be available to residents requiring financial assistance. Any rent payment workouts will be in writing, executed by the resident and retained in the resident's lease file.

b. Notwithstanding the above, residents who fail to pay rent timely will receive a Three Day Notice to Pay or Quit, which will be in accordance with the California Code of Civil Procedure. If the resident does not comply with the notice, an Unlawful Detainer action will be filed as provided

above, and the matter will be referred to a professional eviction service or attorney specializing in this area of the law.

c. If the rent is paid in full during the course of the eviction process, the Managing Agent and the Resident Manager will determine whether to proceed with the pending eviction.

2. Procedures for handling violations of the lease, community policies or regulatory agreements:

a. The Resident Manager will regularly use newsletters, periodic reminders, and written warning to notify residents regarding the Project's policies, and the Resident Manager will, if necessary, obtain the assistance of appropriate service agencies to prevent recurring violations. If appropriate, the Managing Agent and the Resident Manager will issue a Thirty Day Notice of Intent to Terminate Tenancy.

b. Residents will receive written notice of minor infractions of the lease and community policies. The initial notice will notify residents that such infractions are lease or policy violations that upon issuance of a third such warning notice, the Resident Manager will issue a Thirty Day Notice of Intent to Terminate Tenancy. Any notice of termination or eviction will contain a statement of the facts constituting the cause for the termination or eviction and a statement of the resident's rights under the grievance and appeal procedure.

3. Processing resident complaints. Appeals and grievances will be handled in accordance with the Project's appeal procedures. The Resident Manager is responsible to understand the terms and conditions of these procedures, and will proceed as follows:

- a. Take appropriate and timely action to address the problem.
- b. Document all violations and provide written notice to the resident.
- c. Follow up promptly as needed to resolve the problem.

E. Social Services/Resident Participation. The Resident Manager will provide residents with a rich and social environment. Resident-management relations will be based on a policy of cooperation and communication. Residents will be encouraged to understand that their involvement with the Project, including their ideas, priorities, suggestions and concerns, are both sought and valued. Instruction will be provided by Project personnel and will be designed and conducted according to the needs and interests of the residents.

The residents may establish a residents' association, which may consist of committees to address such matters as the following:

1. Committees. Resident involvement with other residents by participating volunteer activities, such as welcoming newcomers to the community, visiting the sick and providing assistance for needy residents, and planning and sponsoring social/cultural/educational events.

2. Problem solving. This activity might involve solving problems generated by residents, such as excessive noise or other disturbances. The Managing Agent and the Resident Manager will encourage residents to enforce policies affecting the community.

3. Ongoing communication. Residents will be encouraged to offer suggestions to the Resident Manager and senior management staff regarding subjects of concern, for example, by involving residents in planning strategies to improve the quality of life in the Project.

4. Emergency preparedness. The Resident Manager will provide instructions to residents regarding building evacuation procedures, use of smoke alarms and fire extinguishers. A residents' meeting will be held with representatives of the local fire and police department. A sign with the Resident Manager's 24-hour emergency number will be prominently posted at the property.

III. MAINTENANCE AND SECURITY

A. Construction/ Warranty Related Issues

During the early stages of operations, the Resident Manager will transmit to the Owner all non-general maintenance work orders regarding construction/warranty items to the Owner for consultation with the Project's general contractor. The Owner, general contractor and Managing Agent will work to correct these items; the Owner will be responsible for the resolution of mechanics' liens.

B. Maintenance Responsibilities

1. On-site staff or independent contractors will perform routine repairs to kitchen appliances, electrical, plumbing, heating equipment and general site maintenance as necessary.
2. Garbage removal will be provided by local collection services. Trash areas will be swept daily and scrubbed with disinfectant when necessary.
3. Pest control/extermination services will be contracted.
4. The maintenance of the grounds will be on a contract basis with a landscape firm or grounds maintenance person or personnel.

C. Preventive Maintenance Schedule.

1. Preventive annual apartment inspections will be conducted regularly ascertain to determine the condition of each apartment. Maintenance problems discovered during these inspections will be handled according to the work order procedures.
2. Project maintenance personnel will conduct regular and preventive inspections of common areas and equipment. Maintenance of exterior and common areas will include keeping grounds free of litter, trash and paper. Site personnel will maintain parking areas in good repair and free from dirt and litter.
3. Interior painting of apartments will occur regularly according to need substantiated by the annual physical inspection, as occupancy changes, or as the Managing Agent and Owner determine.

D. Maintenance Reporting

The Resident Manager will record items needing repair or replacement on a maintenance work order form.

1. The form will be completed in triplicate; one copy of each will be given to the resident and service provider, and one copy will be retained in a suitable ledger for follow up as the work proceeds.
2. The work order form will indicate the costs of labor and materials and the Resident Manager will determine any charges to residents for damages beyond normal wear and tear. Residents will be billed promptly for damages they cause, and, consistent with lease provisions, will be required to reimburse the project within thirty days or other reasonable time mutually agreed by the Resident Manager and the resident.
3. When the work is completed and the resident has signed a copy of the work order, the ledger copy will be placed in the resident's permanent file.

E. Maintenance Requests. Routine maintenance requests will be completed with 72 hours. Emergency situations that pose an immediate threat to the health and safety of the residents and/or the grounds, buildings and equipment (e.g., interruption of services such as hot or cold running water, electricity, gas, adequate heat and plumbing, or repairs that if not performed would expose residents to injury, will be handled immediately. Graffiti will be removed within 24 hours. In case of an emergency after business hours, a 24-hour answering service will be maintained to notify the Managing Agent and the Resident Manager.

F. Other Maintenance. Major interior redecorating of common areas, exterior painting and projected replacements to building infrastructure, heating and ventilation systems will be integrated into a capital improvements schedule which will serve as a basis for determining the replacement reserve fund and adequate contributions thereto from the annual operating budget. This schedule will project the anticipated useful life and replacement costs for major items.

G. Security. The Managing Agent will identify the need for any special security provisions in the project. Upon identifying such a need the Managing Agent will obtain at least three competitive bids for approval by the Owner.