

**ATTACHMENT A**  
**CYPRESS COURT LOAN AGREEMENT**

**LOAN AGREEMENT  
(\$500,000)**

Between

**County of Santa Barbara**

and

**Lompoc Pacific Associates,  
A California limited partnership**

**(Cypress Court)**



HOME Investment Partnerships Program

Catalog of Federal Domestic Assistance Number 14.239

**LOAN AGREEMENT**  
**(Cypress Court)**

This Loan Agreement is made as of this 15 day of February 2012, by and between the County of Santa Barbara, political subdivision of the State of California ("Lender"), and Lompoc Pacific Associates, a California limited partnership ("Borrower").

**RECITALS**

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

B. Borrower is constructing sixty units of affordable senior rental housing on property located at 1420 East Ocean Avenue in the City of Lompoc, in the County of Santa Barbara, as more particularly described in Exhibit A (the "Property").

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

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

E. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan in the total amount of Five Hundred Thousand Dollars (\$500,000) for certain development costs eligible for funding under the HOME Program (the "Loan"). The term of the Loan is set out in this Agreement.

F. The HOME Loan will be evidenced by a promissory note in the amount of Five Hundred Thousand Dollars (\$500,000) executed by Borrower in favor of Lender, secured by a deed of trust.

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

## ARTICLE 1 DEFINITIONS

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

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

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

1.4 **"BORROWER"** is Lompoc Pacific Associates, a California Limited Partnership, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

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

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

1.7 **"CONSTRUCTION LOAN"** means a loan secured against the Property in a total amount not to exceed Nine Million Four Hundred Thousand Dollars (\$9,400,000) for the construction of the Project and which will later be refinanced into a permanent loan.

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

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

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

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

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

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

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

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

1.19 **"INSURANCE REQUIREMENTS"** means the insurance coverage which must be in full force and effect during the construction work and during the term of the Regulatory Agreements, as specified in Exhibit G.

1.20 **"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.

1.21 **"LOAN"** means the loan of HOME Funds in the amount of Five Hundred Thousand Dollars (\$500,000) as provided in this Loan Agreement to finance certain eligible development costs of the Project.

1.22 **"LOAN AGREEMENT"** means this loan agreement entered into between Lender and Borrower.

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

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

1.25 **“NOTE”** means the promissory note executed by the Borrower in favor of Lender in the amount of Five Hundred Thousand Dollars (\$500,000), to evidence the Loan of HOME Funds as well as any amendments to, modifications of, or restatement of said promissory note, substantially in the form attached hereto as Exhibit D.

1.26 **“OPERATING EXPENSES”** shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for capital replacements with respect to the Project in an amount not to exceed reserve requirements reasonably imposed by any lender, cash deposited into an operating reserve in an amount not to exceed the amount reasonably required by any lender, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, and any required debt service under senior loans, including but not limited to the Construction Loan and the permanent loan converted there from. Operating Expenses may include the payment to Borrower of a reasonable asset management fee not to exceed \$15,000 subject to an annual increase of not more than 3% per year. Operating Expenses may also include a deferred developer fee so long as the total amount of developer fees does not exceed ten percent (10%) of the total development budget. Operating expenses may also include a tax credit compliance fees; provided that such fee: (i) shall be payable during and only for services rendered during the 15 year tax credit compliance period, (ii) shall not exceed in any year an amount equal to 6% of Revenues minus the property management fee as defined in Borrower’s partnership agreement, (iii) shall not exceed in any year 80% of net operating income available for payment of such fee as specified in Borrower’s partnership agreement and (iv) shall not exceed \$15,000 in any year. Operating Expenses may also include an annual partnership management fee of \$10,000 starting at the first Payment Date and increasing at 3% per annum thereafter. The Operating Expenses shall be reported in the Annual Financial Statement.

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

1.28 **“PROJECT”** means the construction, operation and management of the Property and the sixty (60) senior units constructed thereon according to the terms of this Loan Agreement.

1.29 **“PROJECT RELATED COSTS”** shall mean costs necessary for reasonable operation and management of the Project. Project costs shall not include costs of other projects owned or managed by Borrower.

1.30 **“PROPERTY”** means property located at 1420 East Ocean in the City of Lompoc, County Santa Barbara, California, as more particularly described in Exhibit A. (the “Property”).

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

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

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

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

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

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

## ARTICLE 2 TERMS OF THE LOAN

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

2.2 **AMOUNT.** The principal amount of the Loan shall be an amount not to exceed Five Hundred Thousand Dollars (\$500,000) and shall be evidenced by the Note.

2.3 **INTEREST.** Subject to the provisions of Section 2.4, the Note shall bear simple interest at a rate of three percent (3.0%) per annum from the date of the Note.

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

2.5 **TERM OF LOAN.** The principal of the Loan shall be due and payable on the earlier of: (a) fifty five (55) years from the date of the Note, or (b) the date the Property is sold or otherwise transferred, except if Borrower is a limited partnership, for a transfer to the General Partner of the Borrower or a Lender approved affiliate thereof or (c) Borrower has failed to commence construction as set forth in Section 4.5 of this Agreement or (d) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement. In any event, the principal of the Loan shall be due and payable no later than December 15, 2067. In the Event of Default by Borrower, which has not been cured as provided for in this Loan Agreement, all current and accrued interest shall be due and payable.

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

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

2.8 **SECURITY.** Borrower shall secure its obligation to repay the Loan by executing a Deed of Trust, in substantially the form attached hereto as Exhibit C and recording it as a lien against the Property, subordinate only to the Construction Loan in an amount not to exceed Nine Million Four Thousand Dollars (9,400,000), a loan made by the Redevelopment Agency of the City of Lompoc in an amount not to exceed One Million One Hundred Thousand Dollars (1,100,000), and the Permanent Loan after completion of construction.

2.9 **REPAYMENT OF THE LOAN.** No repayment is due under the Loan until construction of the Project is complete. Payments shall commence on the first April 1<sup>st</sup> following recordation of a Notice of Completion for the Project. Borrower shall make annual payments on the Loan from Residual Receipts. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year together with an amount equal to fifty percent (50%) of the Residual Receipts for the preceding calendar year with fifty percent (50%) of residual receipts and the remaining (50%) being distributed for payment on the City of Lompoc Loan all up to the amount of the Loan payments due. Lender shall review and approve such statement, or request revisions, within sixty (60) days after



receipt. In the event Lender fails to approve or disapprove the Annual Financial Statement within the sixty (60) day period, Borrower may request a written determination of approval or disapproval following the expiration of such period. In the event Lender fails to provide a written determination to Borrower within ten (10) days following the receipt of Borrower's request for determination, the Annual Financial Statement shall be deemed approved. In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of such determination. If contested, Borrower has the right to pay under protest. All payments made by Borrower shall be applied as follows: first to pay current annual interest due, if any, on the Loan then to the cumulative interest owed, if any, on the Loan; then to reduce the principal amount of the Loan. Upon receipt of any payment applied to this Note, the money shall be deposited into the County's HOME account. In any event all principal owed and all current and accrued interest of the Loan shall be due and payable as provided in Section 2.5 above.

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

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

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

**2.12 ANNUAL OPERATING EXPENSES.** Thirty (30) days prior to end of the calendar year 2012 and each year thereafter, Borrower shall submit to Lender, for Lender's approval, a proposed operating budget for the Project, for the following calendar year. The proposed operating budget shall include scheduled payments to be made into operating and replacement reserve accounts. If the amount of the proposed budget for the following calendar year does not exceed the budget for the prior calendar year by greater than five percent (5%) (or any one line item has not increased by greater than ten percent (10%)), the proposed budget shall be approved by Lender. Only Operating Expenses incurred by Borrower which do not exceed one hundred twenty percent (120%) of the amount approved by Lender in the approved operating budget may be used in the calculation of Residual Receipts without Lender's prior written consent.

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

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

### ARTICLE 3 LOAN DISBURSEMENT

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

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

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

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

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

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

3.2 **DISBURSEMENT OF LOAN PROCEEDS.** Disbursement of Loan proceeds shall not exceed a total of Five Hundred Thousand Dollars (\$500,000). Lender must approve all requests for payment prior to disbursement of Loan proceeds.. Loan proceeds may be distributed through the escrow for all loan amounts which have been approved by Lender. Notwithstanding the above, as a special disbursement condition, Lender shall hold back Ten Thousand Dollars (\$10,000) of HOME funds for general development costs until 30 days after Borrower has completed the construction of the Project and provided beneficiary data for all non-manager

Units as required under the HOME Program; and any and all liens against the Property are released. All Loan funds shall be used as specified in the Sources and Uses identified in the Budget attached hereto as Exhibit B and incorporated herein by this reference.

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

#### **ARTICLE 4 COMPLIANCE WITH HOME REQUIREMENTS AND DEVELOPMENT OF THE PROJECT**

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

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

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

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

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

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

E. **Training Opportunities.** The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701, requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of

the project. Developer agrees to include the following language in all subcontracts executed under this Agreement:

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

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

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

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

A. All applicable state and local building and zoning ordinances; and

B. International Energy Conservation Code and applicable state and local energy conservation codes;

C. Handicapped accessibility requirements, Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended and with implementing regulations at 24 CFR Part 8; and

D. Site and neighborhood standards as set forth at 24 CFR 893.6(b).

The above property standards shall apply throughout the HOME Affordability period.

4.4 **SCOPE OF WORK.** Before commencement of construction on the buildings in the Project, Borrower shall submit to Lender for its review and approval its Scope of Construction Work for the Property. Borrower shall develop the Property in substantial conformance with the Scope of Work and any modifications thereto that have been approved in writing by Lender.

4.5 **COMMENCEMENT OF CONSTRUCTION.** Borrower shall commence construction of the Project not later than 12 months from the recordation of the Deed of Trust. Notwithstanding the above, the County Executive Officer may but is not obligated to extend the deadline for commencement of construction by no more than 12 months if he or she determines that construction has been delayed because of circumstances outside of the control of Borrower.

If Borrower fails to commence construction as set forth above, Borrower shall immediately repay the Loan. Subject to a possible extension as set forth above, Borrower shall comply with the Schedule of Construction attached as Exhibit F.

**4.6 COMPLETION OF CONSTRUCTION.** Borrower shall diligently prosecute construction of the Project to completion, and shall complete construction of the Project no later than 12 months after commencement of construction. Borrower shall provide proof of completion as evidenced by the recording of a Notice of Completion.

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

**4.8 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 construction work or service in the State of California.

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

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

**4.9 ADDITIONS OR CHANGES IN WORK.** Lender must be notified in a timely manner of any changes in the work required to be performed under this Loan Agreement. A written change order authorized by Lender must be obtained before any changes, additions, or deletions may be performed if such change order exceeds \$25,000 or \$50,000 in the aggregate. If Lender has not responded to a written request for a change order by Borrower within ten (10) days of receipt of such request by Lender, such request shall be deemed approved by Lender. Consent to any additions, changes, or deletions to the work shall not release Borrower from any other obligations in the Loan Documents. Notwithstanding the foregoing, any change order which is approved by Bank in its capacity as construction lender shall be deemed to be approved by Lender if such change order, when aggregated with all previously approved change orders, does not increase the construction cost by greater than 10 percent (10%).

**4.10 INSPECTIONS.** Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the job site by Lender and by public authorities during reasonable business hours for the purposes of determining compliance with this Loan Agreement. Copies of the monthly construction inspections completed by the construction lender shall be provided to the County immediately upon completion of the inspection throughout the period of project development.

**4.11 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.

**4.12 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 Scope of Construction Work, 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.

**4.13 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.

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

**4.15 QUALITY OF WORK AND PROPERTY STANDARDS.** Borrower shall construct the Project in conformance with the Lender's construction standards and shall employ building materials of a quality suitable for the requirements of the Project.

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

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

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

Lender with a lien-free endorsement or provide Lender with other assurance reasonably satisfactory to Lender that the claim of lien or stop notice will be paid or discharged.

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

Borrower shall 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, 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.

## ARTICLE 5 OPERATION

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

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

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

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

- A. The eleven (11) HOME Assisted Units shall be designated as "floating" units, so that the units that are designated as HOME Assisted under this Agreement may change over time as long as the total number of HOME Assisted units in the Project remains constant;
- B. Generally reflect the average number of bedrooms per dwelling unit in the Project;
- C. Be similarly constructed and of comparable quality to all other units in the Project;

- D. Be dispersed throughout the Project;
- E. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units; and

5.3 **AFFIRMATIVE MARKETING PLAN.** No later than thirty (30) days following the date of execution of this Agreement, the Borrower shall submit to the Lender for approval its plan for marketing the HOME Assisted Units, including information on affirmative marketing efforts and compliance with fair housing laws and the Lender's affirmative fair housing marketing guidelines. Any changes to the Marketing Plan must be approved in writing by the County. At a minimum the Project must meet the affirmative marketing requirements set forth in 24 CFR 92.351.

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

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

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

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

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

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



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

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

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

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

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

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

5.14 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this Loan Agreement, Borrower shall not engage in any financing or any other transaction creating

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

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

**5.16 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 PROPERTY STANDARDS.** The Development shall meet the following minimum property standards throughout the HOME Affordability Period.

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

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

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

## **ARTICLE 6 INDEMNITY AND INSURANCE**

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

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

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

## **ARTICLE 7 HAZARDOUS MATERIALS**

**7.1 REPRESENTATIONS AND WARRANTIES.** After reasonable investigation and inquiry, Borrower hereby represents and warrants to the best of its knowledge, as of the date of this Loan Agreement and except as previously disclosed and acknowledged in writing by Lender

or as disclosed by the reports based on environmental audit(s) performed on the Property and submitted to Lender, that (a) the Property is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials in violation of Federal or State law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including those relating to soil and groundwater conditions ("Hazardous Materials Laws"); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental entity or agency or any other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

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

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

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

**7.5 RIGHT OF CONTEST.** Borrower may contest in good faith any claim, demand, levy or assessment under Hazardous Materials Laws if. (a) the contest is based on a material question of law or fact raised by Borrower in good faith, (b) Borrower promptly commences and thereafter diligently pursues the contest, (c) the contest will not materially

impair the taking of any remedial action with respect to such claim, demand, levy or assessment, and (d) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful and any remedial action then reasonably necessary. No Event of Default shall be deemed to exist with respect to any claim, demand, levy or attachment being contested by Borrower under the conditions of this section.

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

## ARTICLE 8 DEFAULT AND REMEDIES

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

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

B. Construction. (1) Borrower's substantial deviation in the work of construction specified in the Scope of Construction Work submitted to Lender, 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 according to the Construction Schedule set forth in Exhibit F; (4) the cessation of construction prior to completion of the Project for a period of more than twenty-one (21) continuous calendar days without proper justification; (5) failure to comply with the provisions of Section 4.16 herein; (6) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (7) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this Loan Agreement pertaining to affirmative action and equal employment opportunity, minority and women-owned business enterprises, disabled access, lead paint, Hazardous Materials, and provision or relocation benefits and assistance;

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

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

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

F. Representations and warranties. A determination by Lender that its security has or will be materially impaired due to the fact that any of Borrower's representations or warranties made in the Loan Documents, or any certificates, documents, or schedules supplied to Lender by Borrower were untrue in any material respect when made, or that Borrower concealed or failed to disclose a material fact from Lender;

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

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

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

**8.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE.** For all Events of Default, Lender shall give written notice to Borrower of any Event of Default by specifying: (a) the nature of the event or deficiency giving rise to the Default, (b) the action required to cure the

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

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

A. Terminate this Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents including administrative costs, shall immediately become due and payable at the option of Lender;

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

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

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

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

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

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

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

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

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

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

## ARTICLE 9 GENERAL PROVISIONS

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

**BORROWER:** Lompoc Pacific Associates,  
a California limited partnership  
c/o Surf Development Company  
815 West Ocean Avenue  
Lompoc, CA 93436  
Attn: Executive Director

With copy to: CREA Cypress Court, LLC  
CREA SLP, LLC  
City Real Estate Advisors, Inc.

30 S. Meridian Street, Suite 600  
Indianapolis, Indiana, 46204  
Attention: Asset Management Department

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, County and Lompoc Pacific Associates, a California limited partnership have caused this Agreement to be executed by their respective duly authorized officer.

**ATTEST:**

CHANDRA L. WALLAR  
Clerk of the Board

**COUNTY:**

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

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

By: \_\_\_\_\_  
Doreen Farr  
Chair, Board of Supervisors

**APPROVED AS TO ACCOUNTING FORM:**

ROBERT W. GEIS, CPA  
AUDITOR-CONTROLLER

By:   
Deputy Auditor-Controller  
**Deputy Auditor-Controller**  
**Gregory Eric Levin**  
**Advanced and Specialty Accounting**

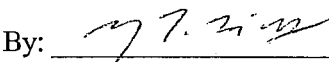
**Lompoc Pacific Associates,**  
a California limited partnership

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

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

**APPROVED AS TO FORM**

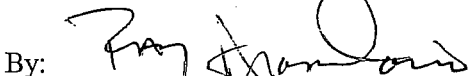
DENNIS A. MARSHALL  
COUNTY COUNSEL

By:   
Mary L. McMaster  
Deputy County Counsel

AND  
By: TPC Holdings, V, LLC,  
An Idaho Limited Liability Company  
Administrative General Partner

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

**APPROVED AS TO FORM:**  
RAY AROMATORIO, ARM, AIC  
RISK MANAGEMENT

By:   
Risk Manager

Expenditure Accounting Information  
Fund: \_\_\_\_\_ Dept: \_\_\_\_\_  
Line Item: \_\_\_\_\_ Program: \_\_\_\_\_

IN WITNESS WHEREOF, County and Lompoc Pacific Associates, a California limited partnership have caused this Agreement to be executed by their respective duly authorized officer.

**ATTEST:**

CHANDRA L. WALLAR  
Clerk of the Board

**COUNTY:**

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

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

By: \_\_\_\_\_  
Doreen Farr  
Chair, Board of Supervisors

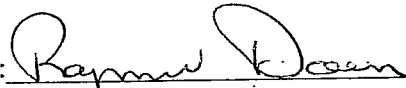
**APPROVED AS TO ACCOUNTING FORM:**

ROBERT W. GEIS, CPA  
AUDITOR-CONTROLLER

By: \_\_\_\_\_  
Deputy Auditor-Controller

**Lompoc Pacific Associates,**  
a California limited partnership

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

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

**APPROVED AS TO FORM**

DENNIS A. MARSHALL  
COUNTY COUNSEL

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

AND

By: TPC Holdings, V, LLC,  
An Idaho Limited Liability Company  
Administrative General Partner

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

**APPROVED AS TO FORM:**  
RAY AROMATORIO, ARM, AIC  
RISK MANAGEMENT

By: \_\_\_\_\_  
Risk Manager

Expenditure Accounting Information  
Fund: \_\_\_\_\_ Dept: \_\_\_\_\_  
Line Item: \_\_\_\_\_ Program: \_\_\_\_\_

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a political subdivision of the State of California

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Deputy Clerk of the Board

By: \_\_\_\_\_  
Doreen Farr  
Chair, Board of Supervisors

**APPROVED AS TO ACCOUNTING FORM:**

ROBERT W. GEIS, CPA  
AUDITOR-CONTROLLER

By: \_\_\_\_\_  
Deputy Auditor-Controller

**Lompoc Pacific Associates,**  
a California limited partnership

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

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

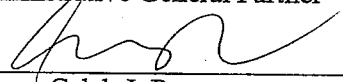
**APPROVED AS TO FORM**

DENNIS A. MARSHALL  
COUNTY COUNSEL

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

AND

By: TPC Holdings, V, LLC,  
An Idaho Limited Liability Company  
Administrative General Partner

By:   
Name: Caleb J. Roope  
Title: Manager

**APPROVED AS TO FORM:**  
RAY AROMATORIO, ARM, AIC  
RISK MANAGEMENT

Expenditure Accounting Information  
Fund: \_\_\_\_\_ Dept: \_\_\_\_\_  
Line Item: \_\_\_\_\_ Program: \_\_\_\_\_

By: \_\_\_\_\_  
Risk Manager

**EXHIBIT A**  
**LEGAL DESCRIPTION**





**EXHIBIT B**  
**BUDGET**



**SOURCES & USES****Cypress Court  
Lompoc, CA****CONSTRUCTION PHASE**

<u>Sources of Funds</u>	
Tax Credit Financing	\$ 100,000
City of Lompoc RDA - HIF	\$ 450,000
City of Lompoc RDA - HRLF	\$ 650,000
City of Lompoc RDA - HOME	\$ 500,000
Other	\$ -
City of Lompoc RDA - HELP	\$ 200,000
Deferred Costs	\$ 184,433
Deferred Contractor Profit	\$ -
Deferred Developer Fee	\$ 1,367,974
Construction Loan	\$ 9,168,648
<b>Total Sources of Funds</b>	<b>\$ 12,621,055</b>

<u>Uses of Funds</u>	
Total Land Costs	\$ 1,405,000
Total Acquisition Costs	\$ -
New Construction and/or Rehabilitation	\$ 6,480,273
Construction Contingency	\$ 400,000
Financing Costs	\$ 709,369
Architecture & Engineering	\$ 525,000
Other Soft Costs	\$ 1,399,006
Developer Fees	\$ 1,367,974
Soft Cost Contingency	\$ 150,000
Reserves	\$ 184,433
<b>Total Uses of Funds</b>	<b>\$ 12,621,055</b>

**PERMANENT PHASE**

<u>Sources of Funds</u>	
Total Tax Credit Financing	\$ 8,971,055
Permanent Loan	\$ 1,750,000
City of Lompoc RDA - HIF	\$ 450,000
City of Lompoc RDA - HRLF	\$ 650,000
City of Lompoc RDA - HOME	\$ 500,000
Other	\$ -
Other	\$ -
Other	\$ -
Other	\$ -
Deferred Developer Fee	\$ 300,000
<b>Total Sources of Funds</b>	<b>\$ 12,621,055</b>

<u>Uses of Funds</u>	
Total Land Costs	\$ 1,405,000
Total Acquisition Costs	\$ -
New Construction and/or Rehabilitation	\$ 6,480,273
Construction Contingency	\$ 400,000
Financing Costs	\$ 709,369
Architecture & Engineering	\$ 525,000
Other Soft Costs	\$ 1,399,006
Developer Fees	\$ 1,367,974
Soft Cost Contingency	\$ 150,000
Reserves	\$ 184,433
<b>Total Uses of Funds</b>	<b>\$ 12,621,055</b>

Cypress Court  
Multi-Year Stabilized Operating Pro-Forma

Lompoc, CA

Rev. 1/15/12

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 1	Year 2	Year 3	Year 4	Year 5
1BR/1BA	30%	374	5	2.5%	22,440	23,001	23,576	24,165	24,770
1BR/1BA	40%	517	11	2.5%	68,244	69,950	71,699	73,491	75,329
1BR/1BA	50%	659	22	2.5%	173,976	178,325	182,784	187,353	192,037
1BR/1BA	60%	802	16	2.5%	153,984	157,834	161,779	165,824	169,970
2BR/1BA	30%	451	1	2.5%	5,412	5,547	5,686	5,828	5,974
2BR/1BA	40%	622	1	2.5%	7,464	7,651	7,842	8,038	8,239
2BR/1BA	50%	793	2	2.5%	19,032	19,508	19,995	20,495	21,008
2BR/1BA	60%	964	1	2.5%	11,568	11,857	12,154	12,457	12,769
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>462,120</b>	<b>473,673</b>	<b>485,515</b>	<b>497,653</b>	<b>510,094</b>
OTHER INCOME			Units	Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5
Laundry			60	2.5%	4,500	4,613	4,728	4,846	4,967
Tenant Charges & Interest			60	2.5%	1,500	1,538	1,576	1,615	1,656
<b>TOTAL OTHER INCOME</b>					<b>6,000</b>	<b>6,150</b>	<b>6,304</b>	<b>6,461</b>	<b>6,623</b>
<b>TOTAL INCOME</b>					<b>468,120</b>	<b>479,823</b>	<b>491,819</b>	<b>504,114</b>	<b>516,717</b>
Less Vacancy Allowance				5%	(23,406)	(23,991)	(24,591)	(25,206)	(25,836)
<b>GROSS INCOME</b>					<b>444,714</b>	<b>455,832</b>	<b>467,228</b>	<b>478,908</b>	<b>490,881</b>
OPERATING EXPENSES	Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-1	Year-2	Year-3	Year-4	Year-5	
Advertising	\$ 48	0.7%	3.5%	2,900	3,002	3,107	3,215	3,328	
Legal	\$ 33	0.4%	3.5%	2,000	2,070	2,142	2,217	2,295	
Accounting/Audit	\$ 50	0.7%	3.5%	3,000	3,105	3,214	3,326	3,443	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 214	2.9%	3.5%	12,850	13,300	13,765	14,247	14,746	
Management Fee	\$ 438	5.9%	3.5%	26,300	27,221	28,173	29,159	30,180	
Fuel	\$ 3	0.0%	3.5%	200	207	214	222	230	
Gas	\$ 8	0.1%	3.5%	500	518	536	554	574	
Electricity	\$ 48	0.7%	3.5%	2,900	3,002	3,107	3,215	3,328	
Water/Sewer	\$ 855	11.5%	3.5%	51,300	53,096	54,954	56,877	58,868	
On-Site Manager	\$ 480	6.5%	3.5%	28,800	29,808	30,851	31,931	33,049	
Maintenance Personnel	\$ 238	3.2%	3.5%	14,300	14,801	15,319	15,855	16,410	
Other: Payroll Taxes, Work Comp, Benefits	\$ 198	2.7%	3.5%	11,900	12,317	12,748	13,194	13,656	
Insurance	\$ 200	2.7%	3.5%	12,000	12,420	12,855	13,305	13,770	
Painting	\$ 50	0.7%	3.5%	3,000	3,105	3,214	3,326	3,443	
Repairs	\$ 392	5.3%	3.5%	23,500	24,323	25,174	26,055	26,967	
Trash Removal	\$ 238	3.2%	3.5%	14,300	14,801	15,319	15,855	16,410	
Exterminating	\$ 18	0.2%	3.5%	1,100	1,139	1,178	1,220	1,262	
Grounds	\$ 285	3.8%	3.5%	17,100	17,699	18,318	18,959	19,623	
Elevator	\$ 33	0.4%	3.5%	2,000	2,070	2,142	2,217	2,295	
Other: Cleaning & Building Supplies	\$ 287	3.9%	3.5%	17,200	17,802	18,425	19,070	19,737	
Other: Licenses	\$ 6	0.1%	3.5%	350	362	375	388	402	
Other: State Tax	\$ 13	0.2%	3.5%	800	828	857	887	918	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,138</b>			<b>248,300</b>	<b>256,991</b>	<b>265,985</b>	<b>275,295</b>	<b>284,930</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 270	3.6%	3.5%	16,200	16,767	17,354	17,961	18,590	
Reserve for Replacement	\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000	
Real Estate Taxes	\$ 42	0.6%	2.0%	2,500	2,550	2,601	2,653	2,706	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 4,750</b>			<b>285,000</b>	<b>294,308</b>	<b>303,940</b>	<b>313,909</b>	<b>324,226</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>159,714</b>	<b>161,525</b>	<b>163,288</b>	<b>164,999</b>	<b>166,655</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-1	Year-2	Year-3	Year-4	Year-5	
Permanent Loan	Hard \$ 1,750,000			132,732	132,732	132,732	132,732	132,732	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 12,000			12,000	12,000	12,000	12,000	12,000	
Deferred Developer Fee	Soft \$ 300,000			14,982	16,792	18,556	20,267	21,923	
City of Lompoc RDA - HIF	Soft \$ 450,000			-	-	-	-	-	
City of Lompoc RDA - HRLF	Soft \$ 650,000			-	-	-	-	-	
City of Lompoc RDA - HOME	Soft \$ 500,000			-	-	-	-	-	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Deferred Dev. Fee Balance	Interest Rate: 0.00%			285,018	268,226	249,670	229,403	207,480	

## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 6	Year 7	Year 8	Year 9	Year 10
1BR/1BA	30%	374	5	2.5%	25,389	26,024	26,674	27,341	28,024
1BR/1BA	40%	517	11	2.5%	77,212	79,142	81,121	83,149	85,227
1BR/1BA	50%	659	22	2.5%	196,838	201,759	206,803	211,973	217,272
1BR/1BA	60%	802	16	2.5%	174,219	178,574	183,039	187,615	192,305
2BR/1BA	30%	451	1	2.5%	6,123	6,276	6,433	6,594	6,759
2BR/1BA	40%	622	1	2.5%	8,445	8,656	8,872	9,094	9,322
2BR/1BA	50%	793	2	2.5%	21,533	22,071	22,623	23,189	23,768
2BR/1BA	60%	964	1	2.5%	13,088	13,415	13,751	14,094	14,447
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			60		522,846	535,918	549,315	563,048	577,125
<b>OTHER INCOME</b>			Units	Incr./Yr.	Year-6	Year-7	Year-8	Year-9	Year-10
Laundry			60	2.5%	5,091	5,219	5,349	5,483	5,620
Tenant Charges & Interest			60	2.5%	1,697	1,740	1,783	1,828	1,873
<b>TOTAL OTHER INCOME</b>					6,788	6,958	7,132	7,310	7,493
<b>TOTAL INCOME</b>					529,635	542,876	556,448	570,359	584,618
Less Vacancy Allowance				5%	(26,482)	(27,144)	(27,822)	(28,518)	(29,231)
<b>GROSS INCOME</b>					503,153	515,732	528,626	541,841	555,387
<b>OPERATING EXPENSES</b>		Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-6	Year-7	Year-8	Year-9	Year-10
Advertising		\$ 48	0.7%	3.5%	3,444	3,565	3,690	3,819	3,952
Legal		\$ 33	0.4%	3.5%	2,375	2,459	2,545	2,634	2,726
Accounting/Audit		\$ 50	0.7%	3.5%	3,563	3,688	3,817	3,950	4,089
Security		\$ -	0.0%	3.5%	-	-	-	-	-
Other: Telephone, Office Expense, Misc.		\$ 214	2.9%	3.5%	15,262	15,796	16,349	16,921	17,513
Management Fec		\$ 438	5.9%	3.5%	31,236	32,329	33,461	34,632	35,844
Fuel		\$ 3	0.0%	3.5%	238	246	254	263	273
Gas		\$ 8	0.1%	3.5%	594	615	636	658	681
Electricity		\$ 48	0.7%	3.5%	3,444	3,565	3,690	3,819	3,952
Water/Sewer		\$ 855	11.5%	3.5%	60,928	63,061	65,268	67,552	69,917
On-Site Manager		\$ 480	6.5%	3.5%	34,205	35,403	36,642	37,924	39,251
Maintenance Personnel		\$ 238	3.2%	3.5%	16,984	17,578	18,194	18,830	19,489
Other: Payroll Taxes, Work Comp, Benefits		\$ 198	2.7%	3.5%	14,133	14,628	15,140	15,670	16,218
Insurance		\$ 200	2.7%	3.5%	14,252	14,751	15,267	15,802	16,355
Painting		\$ 50	0.7%	3.5%	3,563	3,688	3,817	3,950	4,089
Repairs		\$ 392	5.3%	3.5%	27,911	28,888	29,899	30,945	32,028
Trash Removal		\$ 238	3.2%	3.5%	16,984	17,578	18,194	18,830	19,489
Exterminating		\$ 18	0.2%	3.5%	1,306	1,352	1,400	1,448	1,499
Grounds		\$ 285	3.8%	3.5%	20,309	21,020	21,756	22,517	23,306
Elevator		\$ 33	0.4%	3.5%	2,375	2,459	2,545	2,634	2,726
Other: Cleaning & Building Supplies		\$ 287	3.9%	3.5%	20,428	21,143	21,883	22,649	23,442
Other: Licenses		\$ 6	0.1%	3.5%	416	430	445	461	477
Other: State Tax		\$ 13	0.2%	3.5%	950	983	1,018	1,053	1,090
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>		\$ 4,138			294,903	305,224	315,907	326,964	338,407
Internet Expense		\$ -	0.0%	3.5%	-	-	-	-	-
Service Amenities		\$ 270	3.6%	3.5%	19,241	19,914	20,611	21,332	22,079
Reserve for Replacement		\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000
Real Estate Taxes		\$ 42	0.6%	2.0%	2,760	2,815	2,872	2,929	2,988
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>		\$ 4,750			334,903	345,953	357,390	369,225	381,474
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					168,250	169,778	171,236	172,616	173,913
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		Loan Amount			Year-6	Year-7	Year-8	Year-9	Year-10
Permanent Loan	Hard	\$ 1,750,000			132,732	132,732	132,732	132,732	132,732
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 12,000			12,000	12,000	12,000	12,000	12,000
Deferred Developer Fee	Soft	\$ 300,000			23,518	25,046	26,504	27,884	29,181
City of Lompoc RDA - HIF	Soft	\$ 450,000			-	-	-	-	-
City of Lompoc RDA - HRLF	Soft	\$ 650,000			-	-	-	-	-
City of Lompoc RDA - HOME	Soft	\$ 500,000			-	-	-	-	-
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					-	-	-	-	-
Deferred Dev. Fee Balance	Interest Rate:	0.00%			183,962	158,916	132,412	104,528	75,347
Debt Service Coverage Ratio on Hard Debt					1.27	1.28	1.29	1.30	1.31

Cypress Court  
Multi-Year Stabilized Operating Pro-Forma

Lompoc, CA

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 11	Year 12	Year 13	Year 14	Year 15
1BR/1BA	30%	374	5	2.5%	28,725	29,443	30,179	30,934	31,707
1BR/1BA	40%	517	11	2.5%	87,358	89,542	91,781	94,075	96,427
1BR/1BA	50%	659	22	2.5%	222,704	228,272	233,978	239,828	245,824
1BR/1BA	60%	802	16	2.5%	197,113	202,040	207,091	212,269	217,575
2BR/1BA	30%	451	1	2.5%	6,928	7,101	7,279	7,461	7,647
2BR/1BA	40%	622	1	2.5%	9,555	9,793	10,038	10,289	10,546
2BR/1BA	50%	793	2	2.5%	24,363	24,972	25,596	26,236	26,892
2BR/1BA	60%	964	1	2.5%	14,808	15,178	15,558	15,947	16,345
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>591,553</b>	<b>606,341</b>	<b>621,500</b>	<b>637,038</b>	<b>652,963</b>
OTHER INCOME			Units	Incr./Yr.	Year-11	Year-12	Year-13	Year-14	Year-15
Laundry			60	2.5%	5,760	5,904	6,052	6,203	6,358
Tenant Charges & Interest			60	2.5%	1,920	1,968	2,017	2,068	2,119
<b>TOTAL OTHER INCOME</b>					<b>7,681</b>	<b>7,873</b>	<b>8,069</b>	<b>8,271</b>	<b>8,478</b>
<b>TOTAL INCOME</b>					<b>599,233</b>	<b>614,214</b>	<b>629,569</b>	<b>645,309</b>	<b>661,441</b>
Less Vacancy Allowance				5%	(29,962)	(30,711)	(31,478)	(32,265)	(33,072)
<b>GROSS INCOME</b>					<b>569,271</b>	<b>583,503</b>	<b>598,091</b>	<b>613,044</b>	<b>628,369</b>
OPERATING EXPENSES	Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-11	Year-12	Year-13	Year-14	Year-15	
Advertising	\$ 48	0.7%	3.5%	4,091	4,234	4,382	4,535	4,694	
Legal	\$ 33	0.4%	3.5%	2,821	2,920	3,022	3,128	3,237	
Accounting/Audit	\$ 50	0.7%	3.5%	4,232	4,380	4,533	4,692	4,856	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 214	2.9%	3.5%	18,126	18,761	19,417	20,097	20,800	
Management Fee	\$ 438	5.9%	3.5%	37,099	38,397	39,741	41,132	42,572	
Fuel	\$ 3	0.0%	3.5%	282	292	302	313	324	
Gas	\$ 8	0.1%	3.5%	705	730	756	782	809	
Electricity	\$ 48	0.7%	3.5%	4,091	4,234	4,382	4,535	4,694	
Water/Sewer	\$ 855	11.5%	3.5%	72,364	74,896	77,518	80,231	83,039	
On-Site Manager	\$ 480	6.5%	3.5%	40,625	42,047	43,519	45,042	46,618	
Maintenance Personnel	\$ 238	3.2%	3.5%	20,172	20,878	21,608	22,365	23,147	
Other: Payroll Taxes, Work Comp, Benefits	\$ 198	2.7%	3.5%	16,786	17,374	17,982	18,611	19,262	
Insurance	\$ 200	2.7%	3.5%	16,927	17,520	18,133	18,767	19,424	
Painting	\$ 50	0.7%	3.5%	4,232	4,380	4,533	4,692	4,856	
Repairs	\$ 392	5.3%	3.5%	33,149	34,309	35,510	36,753	38,039	
Trash Removal	\$ 238	3.2%	3.5%	20,172	20,878	21,608	22,365	23,147	
Exterminating	\$ 18	0.2%	3.5%	1,552	1,606	1,662	1,720	1,781	
Grounds	\$ 285	3.8%	3.5%	24,121	24,965	25,839	26,744	27,680	
Elevator	\$ 33	0.4%	3.5%	2,821	2,920	3,022	3,128	3,237	
Other: Cleaning & Building Supplies	\$ 287	3.9%	3.5%	24,262	25,111	25,990	26,900	27,842	
Other: Licenses	\$ 6	0.1%	3.5%	494	511	529	547	567	
Other: State Tax	\$ 13	0.2%	3.5%	1,128	1,168	1,209	1,251	1,295	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,138</b>			<b>350,252</b>	<b>362,510</b>	<b>375,198</b>	<b>388,330</b>	<b>401,922</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 270	3.6%	3.5%	22,852	23,652	24,479	25,336	26,223	
Reserve for Replacement	\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000	
Real Estate Taxes	\$ 42	0.6%	2.0%	3,047	3,108	3,171	3,234	3,299	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 4,750</b>			<b>394,151</b>	<b>407,270</b>	<b>420,848</b>	<b>434,900</b>	<b>449,443</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>175,120</b>	<b>176,233</b>	<b>177,243</b>	<b>178,143</b>	<b>178,926</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-11	Year-12	Year-13	Year-14	Year-15	
Permanent Loan	Hard \$ 1,750,000			132,732	132,732	132,732	132,732	132,732	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 12,000			12,000	12,000	12,000	12,000	12,000	
Deferred Developer Fee	Soft \$ 300,000			30,388	31,501	13,458	-	-	
City of Lompoc RDA - HIF	Soft \$ 450,000			-	-	2,679	4,698	4,809	
City of Lompoc RDA - HRLF	Soft \$ 650,000			-	-	3,870	6,787	6,946	
City of Lompoc RDA - HOME	Soft \$ 500,000			-	-	2,977	5,220	5,343	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>-</b>	<b>-</b>	<b>9,527</b>	<b>16,706</b>	<b>17,097</b>	
Deferred Dev. Fee Balance	Interest Rate: 0.00%			44,959	13,458	-	-	-	
Debt Service Coverage Ratio on Hard Debt				1.32	1.33	1.34	1.34	1.35	

## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 16	Year 17	Year 18	Year 19	Year 20
1BR/1BA	30%	374	5	2.5%	32,500	33,312	34,145	34,999	35,874
1BR/1BA	40%	517	11	2.5%	98,838	101,309	103,841	106,437	109,098
1BR/1BA	50%	659	22	2.5%	251,969	258,268	264,725	271,343	278,127
1BR/1BA	60%	802	16	2.5%	223,015	228,590	234,305	240,162	246,167
2BR/1BA	30%	451	1	2.5%	7,838	8,034	8,235	8,441	8,652
2BR/1BA	40%	622	1	2.5%	10,810	11,080	11,357	11,641	11,932
2BR/1BA	50%	793	2	2.5%	27,564	28,253	28,959	29,683	30,426
2BR/1BA	60%	964	1	2.5%	16,754	17,173	17,602	18,042	18,493
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			60		669,288	686,020	703,170	720,749	738,768
<b>OTHER INCOME</b>			Units	Incr./Yr.	Year-16	Year-17	Year-18	Year-19	Year-20
Laundry			60	2.5%	6,517	6,680	6,847	7,018	7,194
Tenant Charges & Interest			60	2.5%	2,172	2,227	2,282	2,339	2,398
<b>TOTAL OTHER INCOME</b>					8,690	8,907	9,130	9,358	9,592
<b>TOTAL INCOME</b>					677,977	694,927	712,300	730,107	748,360
Less Vacancy Allowance				5%	(33,899)	(34,746)	(35,615)	(36,505)	(37,418)
<b>GROSS INCOME</b>					644,078	660,181	676,685	693,602	710,942
<b>OPERATING EXPENSES</b>	Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-16	Year-17	Year-18	Year-19	Year-20	
Advertising	\$ 48	0.7%	3.5%	4,859	5,029	5,205	5,387	5,575	
Legal	\$ 33	0.4%	3.5%	3,351	3,468	3,589	3,715	3,845	
Accounting/Audit	\$ 50	0.7%	3.5%	5,026	5,202	5,384	5,572	5,768	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 214	2.9%	3.5%	21,528	22,282	23,062	23,869	24,704	
Management Fee	\$ 438	5.9%	3.5%	44,062	45,604	47,200	48,852	50,562	
Fuel	\$ 3	0.0%	3.5%	335	347	359	371	385	
Gas	\$ 8	0.1%	3.5%	838	867	897	929	961	
Electricity	\$ 48	0.7%	3.5%	4,859	5,029	5,205	5,387	5,575	
Water/Sewer	\$ 855	11.5%	3.5%	85,945	88,953	92,067	95,289	98,624	
On-Site Manager	\$ 480	6.5%	3.5%	48,250	49,939	51,687	53,496	55,368	
Maintenance Personnel	\$ 238	3.2%	3.5%	23,957	24,796	25,664	26,562	27,492	
Other: Payroll Taxes, Work Comp, Benefits	\$ 198	2.7%	3.5%	19,937	20,634	21,357	22,104	22,878	
Insurance	\$ 200	2.7%	3.5%	20,104	20,808	21,536	22,290	23,070	
Painting	\$ 50	0.7%	3.5%	5,026	5,202	5,384	5,572	5,768	
Repairs	\$ 392	5.3%	3.5%	39,371	40,749	42,175	43,651	45,179	
Trash Removal	\$ 238	3.2%	3.5%	23,957	24,796	25,664	26,562	27,492	
Exterminating	\$ 18	0.2%	3.5%	1,843	1,907	1,974	2,043	2,115	
Grounds	\$ 285	3.8%	3.5%	28,648	29,651	30,689	31,763	32,875	
Elevator	\$ 33	0.4%	3.5%	3,351	3,468	3,589	3,715	3,845	
Other: Cleaning & Building Supplies	\$ 287	3.9%	3.5%	28,816	29,825	30,868	31,949	33,067	
Other: Licenses	\$ 6	0.1%	3.5%	586	607	628	650	673	
Other: State Tax	\$ 13	0.2%	3.5%	1,340	1,387	1,436	1,486	1,538	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	\$ 4,138			415,989	430,549	445,618	461,215	477,357	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 270	3.6%	3.5%	27,141	28,091	29,074	30,091	31,145	
Reserve for Replacement	\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000	
Real Estate Taxes	\$ 42	0.6%	2.0%	3,365	3,432	3,501	3,571	3,642	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	\$ 4,750			464,494	480,071	496,192	512,877	530,144	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				179,584	180,109	180,493	180,726	180,798	
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>	Loan Amount			Year-16	Year-17	Year-18	Year-19	Year-20	
Permanent Loan	Hard \$ 1,750,000			132,732	132,732	132,732	132,732	132,732	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 12,000			6,000	6,000	6,000	6,000	6,000	
Deferred Developer Fee	Soft \$ 300,000			-	-	-	-	-	
City of Lompoc RDA - HIF	Soft \$ 450,000			5,745	5,819	5,873	5,905	5,916	
City of Lompoc RDA - HRLF	Soft \$ 650,000			8,298	8,405	8,483	8,530	8,545	
City of Lompoc RDA - HOME	Soft \$ 500,000			6,383	6,465	6,525	6,562	6,573	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				20,426	20,689	20,880	20,997	21,033	
Deferred Dev. Fee Balance	Interest Rate: 0.00%			-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				1.35	1.36	1.36	1.36	1.36	



## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 21	Year 22	Year 23	Year 24	Year 25
1BR/1BA	30%	374	5	2.5%	36,771	37,690	38,632	39,598	40,588
1BR/1BA	40%	517	11	2.5%	111,826	114,621	117,487	120,424	123,435
1BR/1BA	50%	659	22	2.5%	285,080	292,207	299,512	307,000	314,675
1BR/1BA	60%	802	16	2.5%	252,321	258,629	265,094	271,722	278,515
2BR/1BA	30%	451	1	2.5%	8,868	9,090	9,317	9,550	9,789
2BR/1BA	40%	622	1	2.5%	12,231	12,536	12,850	13,171	13,500
2BR/1BA	50%	793	2	2.5%	31,186	31,966	32,765	33,584	34,424
2BR/1BA	60%	964	1	2.5%	18,956	19,429	19,915	20,413	20,923
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>757,237</b>	<b>776,168</b>	<b>795,573</b>	<b>815,462</b>	<b>835,848</b>
OTHER INCOME			Units	Incr./Yr.	Year-21	Year-22	Year-23	Year-24	Year-25
Laundry			60	2.5%	7,374	7,558	7,747	7,941	8,139
Tenant Charges & Interest			60	2.5%	2,458	2,519	2,582	2,647	2,713
<b>TOTAL OTHER INCOME</b>					<b>9,832</b>	<b>10,077</b>	<b>10,329</b>	<b>10,588</b>	<b>10,852</b>
<b>TOTAL INCOME</b>					<b>767,069</b>	<b>786,246</b>	<b>805,902</b>	<b>826,050</b>	<b>846,701</b>
Less Vacancy Allowance				5%	(38,353)	(39,312)	(40,295)	(41,302)	(42,335)
<b>GROSS INCOME</b>					<b>728,716</b>	<b>746,934</b>	<b>765,607</b>	<b>784,748</b>	<b>804,366</b>
OPERATING EXPENSES	Per Unit - Yr. 1	% EGI	Incr./Yr.	Year-21	Year-22	Year-23	Year-24	Year-25	
Advertising	\$ 48	0.7%	3.5%	5,770	5,972	6,181	6,398	6,622	
Legal	\$ 33	0.4%	3.5%	3,980	4,119	4,263	4,412	4,567	
Accounting/Audit	\$ 50	0.7%	3.5%	5,969	6,178	6,395	6,618	6,850	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 214	2.9%	3.5%	25,569	26,464	27,390	28,349	29,341	
Management Fee	\$ 438	5.9%	3.5%	52,331	54,163	56,059	58,021	60,052	
Fuel	\$ 3	0.0%	3.5%	398	412	426	441	457	
Gas	\$ 8	0.1%	3.5%	995	1,030	1,066	1,103	1,142	
Electricity	\$ 48	0.7%	3.5%	5,770	5,972	6,181	6,398	6,622	
Water/Sewer	\$ 855	11.5%	3.5%	102,076	105,649	109,347	113,174	117,135	
On-Site Manager	\$ 480	6.5%	3.5%	57,306	59,312	61,388	63,536	65,760	
Maintenance Personnel	\$ 238	3.2%	3.5%	28,454	29,450	30,481	31,547	32,652	
Other: Payroll Taxes, Work Comp, Benefits	\$ 198	2.7%	3.5%	23,678	24,507	25,365	26,253	27,172	
Insurance	\$ 200	2.7%	3.5%	23,877	24,713	25,578	26,473	27,400	
Painting	\$ 50	0.7%	3.5%	5,969	6,178	6,395	6,618	6,850	
Repairs	\$ 392	5.3%	3.5%	46,760	48,397	50,091	51,844	53,658	
Trash Removal	\$ 238	3.2%	3.5%	28,454	29,450	30,481	31,547	32,652	
Exterminating	\$ 18	0.2%	3.5%	2,189	2,265	2,345	2,427	2,512	
Grounds	\$ 285	3.8%	3.5%	34,025	35,216	36,449	37,725	39,045	
Elevator	\$ 33	0.4%	3.5%	3,980	4,119	4,263	4,412	4,567	
Other: Cleaning & Building Supplies	\$ 287	3.9%	3.5%	34,224	35,422	36,662	37,945	39,273	
Other: Licenses	\$ 6	0.1%	3.5%	696	721	746	772	799	
Other: State Tax	\$ 13	0.2%	3.5%	1,592	1,648	1,705	1,765	1,827	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,138</b>			<b>494,065</b>	<b>511,357</b>	<b>529,254</b>	<b>547,778</b>	<b>566,950</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 270	3.6%	3.5%	32,235	33,363	34,530	35,739	36,990	
Reserve for Replacement	\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000	
Real Estate Taxes	\$ 42	0.6%	2.0%	3,715	3,789	3,865	3,942	4,021	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 4,750</b>			<b>548,014</b>	<b>566,509</b>	<b>585,650</b>	<b>605,460</b>	<b>625,961</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>180,702</b>	<b>180,425</b>	<b>179,957</b>	<b>179,288</b>	<b>178,404</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-21	Year-22	Year-23	Year-24	Year-25	
Permanent Loan	Hard \$ 1,750,000			132,732	132,732	132,732	132,732	132,732	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 12,000			6,000	6,000	6,000	6,000	6,000	
Deferred Developer Fee	Soft \$ 300,000			-	-	-	-	-	
City of Lompoc RDA - HIF	Soft \$ 450,000			5,902	5,863	5,797	5,703	5,579	
City of Lompoc RDA - HRLF	Soft \$ 650,000			8,525	8,469	8,374	8,238	8,058	
City of Lompoc RDA - HOME	Soft \$ 500,000			6,558	6,515	6,441	6,337	6,199	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>20,985</b>	<b>20,847</b>	<b>20,613</b>	<b>20,278</b>	<b>19,836</b>	
Deferred Dev. Fee Balance	Interest Rate: 0.00%			-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				1.36	1.36	1.36	1.35	1.34	

Cypress Court  
Multi-Year Stabilized Operating Pro-Forma

Lompoc, CA

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 26	Year 27	Year 28	Year 29	Year 30
1BR/1BA	30%	374	5	2.5%	41,603	42,643	43,709	44,801	45,921
1BR/1BA	40%	517	11	2.5%	126,521	129,684	132,926	136,249	139,655
1BR/1BA	50%	659	22	2.5%	322,542	330,605	338,870	347,342	356,026
1BR/1BA	60%	802	16	2.5%	285,478	292,615	299,930	307,428	315,114
2BR/1BA	30%	451	1	2.5%	10,034	10,284	10,541	10,805	11,075
2BR/1BA	40%	622	1	2.5%	13,838	14,184	14,538	14,902	15,274
2BR/1BA	50%	793	2	2.5%	35,284	36,166	37,071	37,997	38,947
2BR/1BA	60%	964	1	2.5%	21,446	21,983	22,532	23,095	23,673
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>856,745</b>	<b>878,163</b>	<b>900,117</b>	<b>922,620</b>	<b>945,686</b>
OTHER INCOME			Units	Incr./Yr.	Year-26	Year-27	Year-28	Year-29	Year-30
Laundry			60	2.5%	8,343	8,551	8,765	8,984	9,209
Tenant Charges & Interest			60	2.5%	2,781	2,850	2,922	2,995	3,070
<b>TOTAL OTHER INCOME</b>					<b>11,124</b>	<b>11,402</b>	<b>11,687</b>	<b>11,979</b>	<b>12,278</b>
<b>TOTAL INCOME</b>					<b>867,868</b>	<b>889,565</b>	<b>911,804</b>	<b>934,599</b>	<b>957,964</b>
Less Vacancy Allowance				5%	(43,393)	(44,478)	(45,590)	(46,730)	(47,898)
<b>GROSS INCOME</b>					<b>824,475</b>	<b>845,087</b>	<b>866,214</b>	<b>887,869</b>	<b>910,066</b>
OPERATING EXPENSES	Per Unit - Yr. 1	%EGI	Incr./Yr.	Year-26	Year-27	Year-28	Year-29	Year-30	
Advertising	\$ 48	0.7%	3.5%	6,853	7,093	7,342	7,598	7,864	
Legal	\$ 33	0.4%	3.5%	4,726	4,892	5,063	5,240	5,424	
Accounting/Audit	\$ 50	0.7%	3.5%	7,090	7,338	7,595	7,861	8,136	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 214	2.9%	3.5%	30,368	31,431	32,531	33,669	34,848	
Management Fee	\$ 438	5.9%	3.5%	62,153	64,329	66,580	68,911	71,322	
Fuel	\$ 3	0.0%	3.5%	473	489	506	524	542	
Gas	\$ 8	0.1%	3.5%	1,182	1,223	1,266	1,310	1,356	
Electricity	\$ 48	0.7%	3.5%	6,853	7,093	7,342	7,598	7,864	
Water/Sewer	\$ 855	11.5%	3.5%	121,234	125,478	129,869	134,415	139,119	
On-Site Manager	\$ 480	6.5%	3.5%	68,061	70,444	72,909	75,461	78,102	
Maintenance Personnel	\$ 238	3.2%	3.5%	33,794	34,977	36,201	37,468	38,780	
Other: Payroll Taxes, Work Comp, Benefits	\$ 198	2.7%	3.5%	28,123	29,107	30,126	31,180	32,271	
Insurance	\$ 200	2.7%	3.5%	28,359	29,352	30,379	31,442	32,543	
Painting	\$ 50	0.7%	3.5%	7,090	7,338	7,595	7,861	8,136	
Repairs	\$ 392	5.3%	3.5%	55,536	57,480	59,492	61,574	63,729	
Trash Removal	\$ 238	3.2%	3.5%	33,794	34,977	36,201	37,468	38,780	
Exterminating	\$ 18	0.2%	3.5%	2,600	2,691	2,785	2,882	2,983	
Grounds	\$ 285	3.8%	3.5%	40,411	41,826	43,290	44,805	46,373	
Elevator	\$ 33	0.4%	3.5%	4,726	4,892	5,063	5,240	5,424	
Other: Cleaning & Building Supplies	\$ 287	3.9%	3.5%	40,648	42,070	43,543	45,067	46,644	
Other: Licenses	\$ 6	0.1%	3.5%	827	856	886	917	949	
Other: State Tax	\$ 13	0.2%	3.5%	1,891	1,957	2,025	2,096	2,170	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,138</b>			<b>586,794</b>	<b>607,332</b>	<b>628,588</b>	<b>650,589</b>	<b>673,359</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 270	3.6%	3.5%	38,285	39,625	41,011	42,447	43,932	
Reserve for Replacement	\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000	
Real Estate Taxes	\$ 42	0.6%	2.0%	4,102	4,184	4,267	4,353	4,440	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 4,750</b>			<b>647,180</b>	<b>669,140</b>	<b>691,867</b>	<b>715,388</b>	<b>739,731</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>177,295</b>	<b>175,947</b>	<b>174,347</b>	<b>172,481</b>	<b>170,335</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-26	Year-27	Year-28	Year-29	Year-30	
Permanent Loan	Hard \$ 1,750,000			132,732	132,732	132,732	132,732	132,732	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 12,000			6,000	6,000	6,000	6,000	6,000	
Deferred Developer Fee	Soft \$ 300,000			-	-	-	-	-	
City of Lompoc RDA - HIF	Soft \$ 450,000			5,423	5,233	5,008	4,746	4,444	
City of Lompoc RDA - HRLF	Soft \$ 650,000			7,833	7,559	7,234	6,855	6,419	
City of Lompoc RDA - HOME	Soft \$ 500,000			6,026	5,815	5,565	5,273	4,938	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>19,282</b>	<b>18,608</b>	<b>17,808</b>	<b>16,875</b>	<b>15,801</b>	
Deferred Dev. Fee Balance	Interest Rate: 0.00%			-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				1.34	1.33	1.31	1.30	1.28	

## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 31	Year 32	Year 33	Year 34	Year 35
1BR/1BA	30%	374	5	2.5%	47,069	48,246	49,452	50,689	51,956
1BR/1BA	40%	517	11	2.5%	143,146	146,725	150,393	154,153	158,007
1BR/1BA	50%	659	22	2.5%	364,926	374,050	383,401	392,986	402,810
1BR/1BA	60%	802	16	2.5%	322,992	331,067	339,343	347,827	356,523
2BR/1BA	30%	451	1	2.5%	11,352	11,636	11,927	12,225	12,531
2BR/1BA	40%	622	1	2.5%	15,656	16,048	16,449	16,860	17,282
2BR/1BA	50%	793	2	2.5%	39,921	40,919	41,942	42,990	44,065
2BR/1BA	60%	964	1	2.5%	24,265	24,871	25,493	26,130	26,784
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>969,328</b>	<b>993,561</b>	<b>1,018,400</b>	<b>1,043,860</b>	<b>1,069,957</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-31</b>	<b>Year-32</b>	<b>Year-33</b>	<b>Year-34</b>	<b>Year-35</b>
Laundry			60	2.5%	9,439	9,675	9,917	10,165	10,419
Tenant Charges & Interest			60	2.5%	3,146	3,225	3,306	3,388	3,473
<b>TOTAL OTHER INCOME</b>					<b>12,585</b>	<b>12,900</b>	<b>13,223</b>	<b>13,553</b>	<b>13,892</b>
<b>TOTAL INCOME</b>					<b>981,913</b>	<b>1,006,461</b>	<b>1,031,623</b>	<b>1,057,413</b>	<b>1,083,849</b>
Less Vacancy Allowance				5%	(49,096)	(50,323)	(51,581)	(52,871)	(54,192)
<b>GROSS INCOME</b>					<b>932,817</b>	<b>956,138</b>	<b>980,042</b>	<b>1,004,542</b>	<b>1,029,657</b>
<b>OPERATING EXPENSES</b>		<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>	<b>Year-31</b>	<b>Year-32</b>	<b>Year-33</b>	<b>Year-34</b>	<b>Year-35</b>
Advertising		\$ 48	0.7%	3.5%	8,140	8,425	8,719	9,025	9,340
Legal		\$ 33	0.4%	3.5%	5,614	5,810	6,013	6,224	6,442
Accounting/Audit		\$ 50	0.7%	3.5%	8,420	8,715	9,020	9,336	9,663
Security		\$ -	0.0%	3.5%	-	-	-	-	-
Other: Telephone, Office Expense, Misc.		\$ 214	2.9%	3.5%	36,067	37,330	38,636	39,988	41,388
Management Fee		\$ 438	5.9%	3.5%	73,819	76,402	79,076	81,844	84,709
Fuel		\$ 3	0.0%	3.5%	561	581	601	622	644
Gas		\$ 8	0.1%	3.5%	1,403	1,453	1,503	1,556	1,610
Electricity		\$ 48	0.7%	3.5%	8,140	8,425	8,719	9,025	9,340
Water/Sewer		\$ 855	11.5%	3.5%	143,989	149,028	154,244	159,643	165,230
On-Site Manager		\$ 480	6.5%	3.5%	80,836	83,665	86,593	89,624	92,761
Maintenance Personnel		\$ 238	3.2%	3.5%	40,137	41,542	42,996	44,501	46,058
Other: Payroll Taxes, Work Comp, Benefits		\$ 198	2.7%	3.5%	33,401	34,570	35,780	37,032	38,328
Insurance		\$ 200	2.7%	3.5%	33,682	34,860	36,080	37,343	38,650
Painting		\$ 50	0.7%	3.5%	8,420	8,715	9,020	9,336	9,663
Repairs		\$ 392	5.3%	3.5%	65,960	68,268	70,658	73,131	75,690
Trash Removal		\$ 238	3.2%	3.5%	40,137	41,542	42,996	44,501	46,058
Exterminating		\$ 18	0.2%	3.5%	3,087	3,196	3,307	3,423	3,543
Grounds		\$ 285	3.8%	3.5%	47,996	49,676	51,415	53,214	55,077
Elevator		\$ 33	0.4%	3.5%	5,614	5,810	6,013	6,224	6,442
Other: Cleaning & Building Supplies		\$ 287	3.9%	3.5%	48,277	49,967	51,715	53,525	55,399
Other: Licenses		\$ 6	0.1%	3.5%	982	1,017	1,052	1,089	1,127
Other: State Tax		\$ 13	0.2%	3.5%	2,245	2,324	2,405	2,490	2,577
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>		<b>\$ 4,138</b>			<b>696,927</b>	<b>721,319</b>	<b>746,565</b>	<b>772,695</b>	<b>799,740</b>
Internet Expense		\$ -	0.0%	3.5%	-	-	-	-	-
Service Amenities		\$ 270	3.6%	3.5%	45,470	47,062	48,709	50,413	52,178
Reserve for Replacement		\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000
Real Estate Taxes		\$ 42	0.6%	2.0%	4,528	4,619	4,711	4,806	4,902
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>		<b>\$ 4,750</b>			<b>764,925</b>	<b>791,000</b>	<b>817,986</b>	<b>845,914</b>	<b>874,819</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>167,892</b>	<b>165,138</b>	<b>162,056</b>	<b>158,628</b>	<b>154,837</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		<b>Loan Amount</b>			<b>Year-31</b>	<b>Year-32</b>	<b>Year-33</b>	<b>Year-34</b>	<b>Year-35</b>
Permanent Loan	Hard	\$ 1,750,000			-	-	-	-	-
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 12,000			-	-	-	-	-
Deferred Developer Fee	Soft	\$ 300,000			6,000	6,000	6,000	6,000	6,000
City of Lompoc RDA - HIF	Soft	\$ 450,000			22,766	22,379	21,945	21,463	20,930
City of Lompoc RDA - HRLF	Soft	\$ 650,000			32,884	32,325	31,699	31,003	30,233
City of Lompoc RDA - HOME	Soft	\$ 500,000			25,296	24,865	24,384	23,848	23,256
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>80,946</b>	<b>79,569</b>	<b>78,028</b>	<b>76,314</b>	<b>74,419</b>
Deferred Dev. Fee Balance	Interest Rate:	0.00%			-	-	-	-	-
Debt Service Coverage Ratio on Hard Debt					0.00	0.00	0.00	0.00	0.00

Cypress Court  
Multi-Year Stabilized Operating Pro-Forma

Lompoc, CA

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 36	Year 37	Year 38	Year 39	Year 40
1BR/1BA	30%	374	5	2.5%	53,255	54,586	55,951	57,350	58,783
1BR/1BA	40%	517	11	2.5%	161,957	166,006	170,156	174,410	178,770
1BR/1BA	50%	659	22	2.5%	412,881	423,203	433,783	444,627	455,743
1BR/1BA	60%	802	16	2.5%	365,436	374,572	383,936	393,534	403,373
2BR/1BA	30%	451	1	2.5%	12,844	13,165	13,494	13,831	14,177
2BR/1BA	40%	622	1	2.5%	17,714	18,156	18,610	19,076	19,553
2BR/1BA	50%	793	2	2.5%	45,167	46,296	47,453	48,640	49,856
2BR/1BA	60%	964	1	2.5%	27,453	28,140	28,843	29,564	30,303
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>1,096,706</b>	<b>1,124,123</b>	<b>1,152,226</b>	<b>1,181,032</b>	<b>1,210,558</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-36</b>	<b>Year-37</b>	<b>Year-38</b>	<b>Year-39</b>	<b>Year-40</b>
Laundry			60	2.5%	10,679	10,946	11,220	11,501	11,788
Tenant Charges & Interest			60	2.5%	3,560	3,649	3,740	3,834	3,929
<b>TOTAL OTHER INCOME</b>					<b>14,239</b>	<b>14,595</b>	<b>14,960</b>	<b>15,334</b>	<b>15,717</b>
<b>TOTAL INCOME</b>					<b>1,110,945</b>	<b>1,138,718</b>	<b>1,167,186</b>	<b>1,196,366</b>	<b>1,226,275</b>
Less Vacancy Allowance				5%	(55,547)	(56,936)	(58,359)	(59,818)	(61,314)
<b>GROSS INCOME</b>					<b>1,055,398</b>	<b>1,081,782</b>	<b>1,108,827</b>	<b>1,136,548</b>	<b>1,164,961</b>
<b>OPERATING EXPENSES</b>	<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>	<b>Year-36</b>	<b>Year-37</b>	<b>Year-38</b>	<b>Year-39</b>	<b>Year-40</b>	
Advertising	\$ 48	0.7%	3.5%	9,667	10,006	10,356	10,718	11,094	
Legal	\$ 33	0.4%	3.5%	6,667	6,901	7,142	7,392	7,651	
Accounting/Audit	\$ 50	0.7%	3.5%	10,001	10,351	10,713	11,088	11,476	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 214	2.9%	3.5%	42,837	44,336	45,888	47,494	49,156	
Management Fee	\$ 438	5.9%	3.5%	87,673	90,742	93,918	97,205	100,607	
Fuel	\$ 3	0.0%	3.5%	667	690	714	739	765	
Gas	\$ 8	0.1%	3.5%	1,667	1,725	1,786	1,848	1,913	
Electricity	\$ 48	0.7%	3.5%	9,667	10,006	10,356	10,718	11,094	
Water/Sewer	\$ 855	11.5%	3.5%	171,013	176,999	183,194	189,605	196,242	
On-Site Manager	\$ 480	6.5%	3.5%	96,007	99,368	102,846	106,445	110,171	
Maintenance Personnel	\$ 238	3.2%	3.5%	47,670	49,339	51,066	52,853	54,703	
Other: Payroll Taxes, Work Comp, Benefits	\$ 198	2.7%	3.5%	39,670	41,058	42,495	43,983	45,522	
Insurance	\$ 200	2.7%	3.5%	40,003	41,403	42,852	44,352	45,904	
Painting	\$ 50	0.7%	3.5%	10,001	10,351	10,713	11,088	11,476	
Repairs	\$ 392	5.3%	3.5%	78,339	81,081	83,919	86,856	89,896	
Trash Removal	\$ 238	3.2%	3.5%	47,670	49,339	51,066	52,853	54,703	
Exterminating	\$ 18	0.2%	3.5%	3,667	3,795	3,928	4,066	4,208	
Grounds	\$ 285	3.8%	3.5%	57,004	59,000	61,065	63,202	65,414	
Elevator	\$ 33	0.4%	3.5%	6,667	6,901	7,142	7,392	7,651	
Other: Cleaning & Building Supplies	\$ 287	3.9%	3.5%	57,338	59,345	61,422	63,571	65,796	
Other: Licenses	\$ 6	0.1%	3.5%	1,167	1,208	1,250	1,294	1,339	
Other: State Tax	\$ 13	0.2%	3.5%	2,667	2,760	2,857	2,957	3,060	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,138</b>			<b>827,731</b>	<b>856,701</b>	<b>886,686</b>	<b>917,720</b>	<b>949,840</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 270	3.6%	3.5%	54,004	55,894	57,851	59,875	61,971	
Reserve for Replacement	\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000	
Real Estate Taxes	\$ 42	0.6%	2.0%	5,000	5,100	5,202	5,306	5,412	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 4,750</b>			<b>904,734</b>	<b>935,695</b>	<b>967,738</b>	<b>1,000,901</b>	<b>1,035,223</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>150,663</b>	<b>146,087</b>	<b>141,089</b>	<b>135,647</b>	<b>129,739</b>	
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>	<b>Loan Amount</b>			<b>Year-36</b>	<b>Year-37</b>	<b>Year-38</b>	<b>Year-39</b>	<b>Year-40</b>	
Permanent Loan	Hard \$ 1,750,000			-	-	-	-	-	
Other	NA \$ -			-	-	-	-	-	
Asset Management Fees	Soft \$ 12,000			6,000	6,000	6,000	6,000	6,000	
Deferred Developer Fee	Soft \$ 300,000			-	-	-	-	-	
City of Lompoc RDA - HIF	Soft \$ 450,000			20,343	19,700	18,997	18,232	17,401	
City of Lompoc RDA - HRLF	Soft \$ 650,000			29,385	28,455	27,440	26,335	25,134	
City of Lompoc RDA - HOME	Soft \$ 500,000			22,604	21,889	21,108	20,257	19,334	
Other	Soft \$ -			-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>72,332</b>	<b>70,044</b>	<b>67,545</b>	<b>64,824</b>	<b>61,869</b>	
Deferred Dev. Fee Balance	Interest Rate: 0.00%			-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				0.00	0.00	0.00	0.00	0.00	

## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 41	Year 42	Year 43	Year 44	Year 45
1BR/1BA	30%	374	5	2.5%	60,253	61,759	63,303	64,886	66,508
1BR/1BA	40%	517	11	2.5%	183,239	187,820	192,516	197,329	202,262
1BR/1BA	50%	659	22	2.5%	467,137	478,815	490,785	503,055	515,631
1BR/1BA	60%	802	16	2.5%	413,457	423,793	434,388	445,248	456,379
2BR/1BA	30%	451	1	2.5%	14,532	14,895	15,267	15,649	16,040
2BR/1BA	40%	622	1	2.5%	20,041	20,542	21,056	21,582	22,122
2BR/1BA	50%	793	2	2.5%	51,102	52,380	53,689	55,031	56,407
2BR/1BA	60%	964	1	2.5%	31,061	31,837	32,633	33,449	34,285
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>1,240,822</b>	<b>1,271,842</b>	<b>1,303,638</b>	<b>1,336,229</b>	<b>1,369,635</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-41</b>	<b>Year-42</b>	<b>Year-43</b>	<b>Year-44</b>	<b>Year-45</b>
Laundry			60	2.5%	12,083	12,385	12,694	13,012	13,337
Tenant Charges & Interest			60	2.5%	4,028	4,128	4,231	4,337	4,446
<b>TOTAL OTHER INCOME</b>					<b>16,110</b>	<b>16,513</b>	<b>16,926</b>	<b>17,349</b>	<b>17,783</b>
<b>TOTAL INCOME</b>					<b>1,256,932</b>	<b>1,288,355</b>	<b>1,320,564</b>	<b>1,353,578</b>	<b>1,387,418</b>
Less Vacancy Allowance				5%	(62,847)	(64,418)	(66,028)	(67,679)	(69,371)
<b>GROSS INCOME</b>					<b>1,194,085</b>	<b>1,223,937</b>	<b>1,254,536</b>	<b>1,285,899</b>	<b>1,318,047</b>
<b>OPERATING EXPENSES</b>		<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>	<b>Year-41</b>	<b>Year-42</b>	<b>Year-43</b>	<b>Year-44</b>	<b>Year-45</b>
Advertising		\$ 48	0.7%	3.5%	11,482	11,884	12,300	12,730	13,176
Legal		\$ 33	0.4%	3.5%	7,919	8,196	8,483	8,779	9,087
Accounting/Audit		\$ 50	0.7%	3.5%	11,878	12,294	12,724	13,169	13,630
Security		\$ -	0.0%	3.5%	-	-	-	-	-
Other: Telephone, Office Expense, Misc.		\$ 214	2.9%	3.5%	50,876	52,657	54,500	56,408	58,382
Management Fee		\$ 438	5.9%	3.5%	104,129	107,773	111,545	115,449	119,490
Fuel		\$ 3	0.0%	3.5%	792	820	848	878	909
Gas		\$ 8	0.1%	3.5%	1,980	2,049	2,121	2,195	2,272
Electricity		\$ 48	0.7%	3.5%	11,482	11,884	12,300	12,730	13,176
Water/Sewer		\$ 855	11.5%	3.5%	203,110	210,219	217,577	225,192	233,073
On-Site Manager		\$ 480	6.5%	3.5%	114,027	118,018	122,148	126,423	130,848
Maintenance Personnel		\$ 238	3.2%	3.5%	56,617	58,599	60,650	62,773	64,970
Other: Payroll Taxes, Work Comp, Benefits		\$ 198	2.7%	3.5%	47,115	48,764	50,471	52,237	54,066
Insurance		\$ 200	2.7%	3.5%	47,511	49,174	50,895	52,676	54,520
Painting		\$ 50	0.7%	3.5%	11,878	12,294	12,724	13,169	13,630
Repairs		\$ 392	5.3%	3.5%	93,043	96,299	99,670	103,158	106,769
Trash Removal		\$ 238	3.2%	3.5%	56,617	58,599	60,650	62,773	64,970
Exterminating		\$ 18	0.2%	3.5%	4,355	4,508	4,665	4,829	4,998
Grounds		\$ 285	3.8%	3.5%	67,703	70,073	72,526	75,064	77,691
Elevator		\$ 33	0.4%	3.5%	7,919	8,196	8,483	8,779	9,087
Other: Cleaning & Building Supplies		\$ 287	3.9%	3.5%	68,099	70,483	72,950	75,503	78,145
Other: Licenses		\$ 6	0.1%	3.5%	1,386	1,434	1,484	1,536	1,590
Other: State Tax		\$ 13	0.2%	3.5%	3,167	3,278	3,393	3,512	3,635
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
Other:		\$ -	0.0%	3.5%	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>		<b>\$ 4,138</b>			<b>983,084</b>	<b>1,017,492</b>	<b>1,053,104</b>	<b>1,089,963</b>	<b>1,128,112</b>
Internet Expense		\$ -	0.0%	3.5%	-	-	-	-	-
Service Amenities		\$ 270	3.6%	3.5%	64,140	66,385	68,708	71,113	73,602
Reserve for Replacement		\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000
Real Estate Taxes		\$ 42	0.6%	2.0%	5,520	5,631	5,743	5,858	5,975
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>		<b>\$ 4,750</b>			<b>1,070,744</b>	<b>1,107,508</b>	<b>1,145,556</b>	<b>1,184,934</b>	<b>1,225,689</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>123,341</b>	<b>116,430</b>	<b>108,980</b>	<b>100,965</b>	<b>92,358</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		<b>Loan Amount</b>			<b>Year-41</b>	<b>Year-42</b>	<b>Year-43</b>	<b>Year-44</b>	<b>Year-45</b>
Permanent Loan	Hard	\$ 1,750,000			-	-	-	-	-
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 12,000			6,000	6,000	6,000	6,000	6,000
Deferred Developer Fee	Soft	\$ 300,000			-	-	-	-	-
City of Lompoc RDA - HIF	Soft	\$ 450,000			16,501	15,529	14,482	13,354	12,144
City of Lompoc RDA - HRLF	Soft	\$ 650,000			23,835	22,431	20,918	19,290	17,541
City of Lompoc RDA - HOME	Soft	\$ 500,000			18,334	17,255	16,091	14,838	13,493
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>58,670</b>	<b>55,215</b>	<b>51,490</b>	<b>47,483</b>	<b>43,179</b>
Deferred Dev. Fee Balance	Interest Rate:	0.00%			-	-	-	-	-
Debt Service Coverage Ratio on Hard Debt					0.00	0.00	0.00	0.00	0.00

Cypress Court  
Multi-Year Stabilized Operating Pro-Forma

Lompoc, CA

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 46	Year 47	Year 48	Year 49	Year 50
1BR/1BA	30%	374	5	2.5%	68,171	69,875	71,622	73,412	75,248
1BR/1BA	40%	517	11	2.5%	207,319	212,502	217,814	223,260	228,841
1BR/1BA	50%	659	22	2.5%	528,522	541,735	555,279	569,161	583,390
1BR/1BA	60%	802	16	2.5%	467,788	479,483	491,470	503,757	516,351
2BR/1BA	30%	451	1	2.5%	16,441	16,852	17,273	17,705	18,148
2BR/1BA	40%	622	1	2.5%	22,675	23,242	23,823	24,418	25,029
2BR/1BA	50%	793	2	2.5%	57,817	59,263	60,744	62,263	63,820
2BR/1BA	60%	964	1	2.5%	35,142	36,021	36,922	37,845	38,791
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>1,403,876</b>	<b>1,438,973</b>	<b>1,474,947</b>	<b>1,511,821</b>	<b>1,549,616</b>
OTHER INCOME			Units	Incr./Yr.	Year-46	Year-47	Year-48	Year-49	Year-50
Laundry			60	2.5%	13,671	14,012	14,363	14,722	15,090
Tenant Charges & Interest			60	2.5%	4,557	4,671	4,788	4,907	5,030
<b>TOTAL OTHER INCOME</b>					<b>18,227</b>	<b>18,683</b>	<b>19,150</b>	<b>19,629</b>	<b>20,120</b>
<b>TOTAL INCOME</b>					<b>1,422,103</b>	<b>1,457,656</b>	<b>1,494,097</b>	<b>1,531,450</b>	<b>1,569,736</b>
Less Vacancy Allowance				5%	(71,105)	(72,883)	(74,705)	(76,572)	(78,487)
<b>GROSS INCOME</b>					<b>1,350,998</b>	<b>1,384,773</b>	<b>1,419,392</b>	<b>1,454,878</b>	<b>1,491,249</b>
OPERATING EXPENSES	Per Unit - Yr. 1	% EGI	Incr./Yr.	Year-46	Year-47	Year-48	Year-49	Year-50	
Advertising	\$ 48	0.7%	3.5%	13,637	14,114	14,608	15,119	15,649	
Legal	\$ 33	0.4%	3.5%	9,405	9,734	10,075	10,427	10,792	
Accounting/Audit	\$ 50	0.7%	3.5%	14,107	14,601	15,112	15,641	16,188	
Security	\$ -	0.0%	3.5%	-	-	-	-	-	
Other: Telephone, Office Expense, Misc.	\$ 214	2.9%	3.5%	60,425	62,540	64,729	66,995	69,339	
Management Fee	\$ 438	5.9%	3.5%	123,672	128,001	132,481	137,117	141,916	
Fuel	\$ 3	0.0%	3.5%	940	973	1,007	1,043	1,079	
Gas	\$ 8	0.1%	3.5%	2,351	2,433	2,519	2,607	2,698	
Electricity	\$ 48	0.7%	3.5%	13,637	14,114	14,608	15,119	15,649	
Water/Sewer	\$ 855	11.5%	3.5%	241,231	249,674	258,413	267,457	276,818	
On-Site Manager	\$ 480	6.5%	3.5%	135,428	140,168	145,074	150,151	155,407	
Maintenance Personnel	\$ 238	3.2%	3.5%	67,244	69,597	72,033	74,554	77,164	
Other: Payroll Taxes, Work Comp, Benefits	\$ 198	2.7%	3.5%	55,958	57,917	59,944	62,042	64,213	
Insurance	\$ 200	2.7%	3.5%	56,428	58,403	60,447	62,563	64,753	
Painting	\$ 50	0.7%	3.5%	14,107	14,601	15,112	15,641	16,188	
Repairs	\$ 392	5.3%	3.5%	110,505	114,373	118,376	122,519	126,808	
Trash Removal	\$ 238	3.2%	3.5%	67,244	69,597	72,033	74,554	77,164	
Exterminating	\$ 18	0.2%	3.5%	5,173	5,354	5,541	5,735	5,936	
Grounds	\$ 285	3.8%	3.5%	80,410	83,225	86,138	89,152	92,273	
Elevator	\$ 33	0.4%	3.5%	9,405	9,734	10,075	10,427	10,792	
Other: Cleaning & Building Supplies	\$ 287	3.9%	3.5%	80,881	83,711	86,641	89,674	92,812	
Other: Licenses	\$ 6	0.1%	3.5%	1,646	1,703	1,763	1,825	1,889	
Other: State Tax	\$ 13	0.2%	3.5%	3,762	3,894	4,030	4,171	4,317	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
Other:	\$ -	0.0%	3.5%	-	-	-	-	-	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 4,138</b>			<b>1,167,596</b>	<b>1,208,461</b>	<b>1,250,758</b>	<b>1,294,534</b>	<b>1,339,843</b>	
Internet Expense	\$ -	0.0%	3.5%	-	-	-	-	-	
Service Amenities	\$ 270	3.6%	3.5%	76,178	78,844	81,604	84,460	87,416	
Reserve for Replacement	\$ 300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000	
Real Estate Taxes	\$ 42	0.6%	2.0%	6,095	6,217	6,341	6,468	6,597	
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	<b>\$ 4,750</b>			<b>1,267,868</b>	<b>1,311,522</b>	<b>1,356,702</b>	<b>1,403,462</b>	<b>1,451,856</b>	
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>				<b>83,130</b>	<b>73,250</b>	<b>62,690</b>	<b>51,416</b>	<b>39,393</b>	
DEBT SERVICE & OTHER DISTRIBUTIONS	Loan Amount			Year-46	Year-47	Year-48	Year-49	Year-50	
Permanent Loan	Hard	\$ 1,750,000		-	-	-	-	-	
Other	NA	\$ -		-	-	-	-	-	
Asset Management Fees	Soft	\$ 12,000		6,000	6,000	6,000	6,000	6,000	
Deferred Developer Fee	Soft	\$ 300,000		-	-	-	-	-	
City of Lompoc RDA - HIF	Soft	\$ 450,000		10,846	9,457	7,972	6,387	4,696	
City of Lompoc RDA - HRLF	Soft	\$ 650,000		15,667	13,660	11,515	9,225	6,783	
City of Lompoc RDA - HOME	Soft	\$ 500,000		12,052	10,508	8,858	7,096	5,218	
Other	Soft	\$ -		-	-	-	-	-	
<b>ANNUAL NET CASH FLOW</b>				<b>38,565</b>	<b>33,625</b>	<b>28,345</b>	<b>22,708</b>	<b>16,696</b>	
Deferred Dev. Fee Balance	Interest Rate:	0.00%		-	-	-	-	-	
Debt Service Coverage Ratio on Hard Debt				0.00	0.00	0.00	0.00	0.00	

## Multi-Year Stabilized Operating Pro-Forma

RENTAL INCOME	% AMI	Net Rent / Unit - Year 1	No. of Units	Annual Increase	Year 51	Year 52	Year 53	Year 54	Year 55
1BR/1BA	30%	374	5	2.5%	77,129	79,057	81,033	83,059	85,136
1BR/1BA	40%	517	11	2.5%	234,562	240,426	246,437	252,598	258,913
1BR/1BA	50%	659	22	2.5%	597,974	612,924	628,247	643,953	660,052
1BR/1BA	60%	802	16	2.5%	529,260	542,491	556,054	569,955	584,204
2BR/1BA	30%	451	1	2.5%	18,602	19,067	19,543	20,032	20,533
2BR/1BA	40%	622	1	2.5%	25,655	26,296	26,953	27,627	28,318
2BR/1BA	50%	793	2	2.5%	65,415	67,050	68,727	70,445	72,206
2BR/1BA	60%	964	1	2.5%	39,760	40,754	41,773	42,818	43,888
3BR/2BA	30%	0	0	2.5%	-	-	-	-	-
3BR/2BA	40%	0	0	2.5%	-	-	-	-	-
3BR/2BA	50%	0	0	2.5%	-	-	-	-	-
3BR/2BA	60%	0	0	2.5%	-	-	-	-	-
4BR/2BA	30%	0	0	2.5%	-	-	-	-	-
4BR/2BA	40%	0	0	2.5%	-	-	-	-	-
4BR/2BA	50%	0	0	2.5%	-	-	-	-	-
4BR/2BA	60%	0	0	2.5%	-	-	-	-	-
2BR/1BA	Manager's	0	1	2.5%	-	-	-	-	-
<b>TOTAL RENTAL INCOME</b>			<b>60</b>		<b>1,588,357</b>	<b>1,628,066</b>	<b>1,668,767</b>	<b>1,710,486</b>	<b>1,753,249</b>
<b>OTHER INCOME</b>			<b>Units</b>	<b>Incr./Yr.</b>	<b>Year-51</b>	<b>Year-52</b>	<b>Year-53</b>	<b>Year-54</b>	<b>Year-55</b>
Laundry			60	2.5%	15,467	15,854	16,250	16,656	17,073
Tenant Charges & Interest			60	2.5%	5,156	5,285	5,417	5,552	5,691
<b>TOTAL OTHER INCOME</b>					<b>20,623</b>	<b>21,138</b>	<b>21,667</b>	<b>22,208</b>	<b>22,764</b>
<b>TOTAL INCOME</b>					<b>1,608,979</b>	<b>1,649,204</b>	<b>1,690,434</b>	<b>1,732,695</b>	<b>1,776,012</b>
Less Vacancy Allowance				5%	(80,449)	(82,460)	(84,522)	(86,635)	(88,801)
<b>GROSS INCOME</b>					<b>1,528,530</b>	<b>1,566,744</b>	<b>1,605,912</b>	<b>1,646,060</b>	<b>1,687,211</b>
<b>OPERATING EXPENSES</b>		<b>Per Unit - Yr. 1</b>	<b>%EGI</b>	<b>Incr./Yr.</b>	<b>Year-51</b>	<b>Year-52</b>	<b>Year-53</b>	<b>Year-54</b>	<b>Year-55</b>
Advertising	\$	48	0.7%	3.5%	16,196	16,763	17,350	17,957	18,586
Legal	\$	33	0.4%	3.5%	11,170	11,561	11,965	12,384	12,818
Accounting/Audit	\$	50	0.7%	3.5%	16,755	17,341	17,948	18,576	19,226
Security	\$	-	0.0%	3.5%	-	-	-	-	-
Other: Telephone, Office Expense, Misc.	\$	214	2.9%	3.5%	71,766	74,278	76,878	79,569	82,353
Management Fee	\$	438	5.9%	3.5%	146,884	152,025	157,345	162,852	168,552
Fuel	\$	3	0.0%	3.5%	1,117	1,156	1,197	1,238	1,282
Gas	\$	8	0.1%	3.5%	2,792	2,890	2,991	3,096	3,204
Electricity	\$	48	0.7%	3.5%	16,196	16,763	17,350	17,957	18,586
Water/Sewer	\$	855	11.5%	3.5%	286,507	296,534	306,913	317,655	328,773
On-Site Manager	\$	480	6.5%	3.5%	160,846	166,475	172,302	178,333	184,574
Maintenance Personnel	\$	238	3.2%	3.5%	79,864	82,660	85,553	88,547	91,646
Other: Payroll Taxes, Work Comp, Benefits	\$	198	2.7%	3.5%	66,461	68,787	71,194	73,686	76,265
Insurance	\$	200	2.7%	3.5%	67,019	69,365	71,793	74,305	76,906
Painting	\$	50	0.7%	3.5%	16,755	17,341	17,948	18,576	19,226
Repairs	\$	392	5.3%	3.5%	131,246	135,839	140,594	145,515	150,608
Trash Removal	\$	238	3.2%	3.5%	79,864	82,660	85,553	88,547	91,646
Exterminating	\$	18	0.2%	3.5%	6,143	6,358	6,581	6,811	7,050
Grounds	\$	285	3.8%	3.5%	95,502	98,845	102,304	105,885	109,591
Elevator	\$	33	0.4%	3.5%	11,170	11,561	11,965	12,384	12,818
Other: Cleaning & Building Supplies	\$	287	3.9%	3.5%	96,061	99,423	102,903	106,504	110,232
Other: Licenses	\$	6	0.1%	3.5%	1,955	2,023	2,094	2,167	2,243
Other: State Tax	\$	13	0.2%	3.5%	4,468	4,624	4,786	4,954	5,127
Other:	\$	-	0.0%	3.5%	-	-	-	-	-
Other:	\$	-	0.0%	3.5%	-	-	-	-	-
Other:	\$	-	0.0%	3.5%	-	-	-	-	-
<b>TOTAL OPERATING EXPENSES</b>	\$	<b>4,138</b>			<b>1,386,737</b>	<b>1,435,273</b>	<b>1,485,508</b>	<b>1,537,500</b>	<b>1,591,313</b>
Internet Expense	\$	-	0.0%	3.5%	-	-	-	-	-
Service Amenities	\$	270	3.6%	3.5%	90,476	93,642	96,920	100,312	103,823
Reserve for Replacement	\$	300	4.0%	0.0%	18,000	18,000	18,000	18,000	18,000
Real Estate Taxes	\$	42	0.6%	2.0%	6,729	6,864	7,001	7,141	7,284
<b>TOTAL EXPENSES, TAXES &amp; RESERVES</b>	\$	<b>4,750</b>			<b>1,501,942</b>	<b>1,553,779</b>	<b>1,607,428</b>	<b>1,662,953</b>	<b>1,720,420</b>
<b>CASH FLOW AVAILABLE FOR DEBT SERVICE</b>					<b>26,588</b>	<b>12,965</b>	<b>(1,517)</b>	<b>(16,894)</b>	<b>(33,209)</b>
<b>DEBT SERVICE &amp; OTHER DISTRIBUTIONS</b>		<b>Loan Amount</b>			<b>Year-51</b>	<b>Year-52</b>	<b>Year-53</b>	<b>Year-54</b>	<b>Year-55</b>
Permanent Loan	Hard	\$ 1,750,000			-	-	-	-	-
Other	NA	\$ -			-	-	-	-	-
Asset Management Fees	Soft	\$ 12,000			6,000	6,000	6,000	6,000	6,000
Deferred Developer Fee	Soft	\$ 300,000			-	-	(7,517)	(22,894)	(39,209)
City of Lompoc RDA - HIF	Soft	\$ 450,000			2,895	979	-	-	-
City of Lompoc RDA - HRLF	Soft	\$ 650,000			4,182	1,415	-	-	-
City of Lompoc RDA - HOME	Soft	\$ 500,000			3,217	1,088	-	-	-
Other	Soft	\$ -			-	-	-	-	-
<b>ANNUAL NET CASH FLOW</b>					<b>10,294</b>	<b>3,482</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred Dev. Fee Balance	Interest Rate:	0.00%			-	-	7,517	30,411	69,620
Debt Service Coverage Ratio on Hard Debt					0.00	0.00	0.00	0.00	0.00

**EXHIBIT C  
DEED OF TRUST**





EXHIBIT C

NO FEE DOCUMENT

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

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

NO FEE DOCUMENT PURSUANT TO  
GOVERNMENT CODE SECTION 27383

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

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("Deed of Trust") is made as of this \_\_\_\_ day of \_\_\_\_\_, 2012, by Lompoc Pacific Associates., a California limited partnership ("Trustor"), to First American Title Company, as trustee ("Trustee"), for the benefit of the County of Santa Barbara, a political subdivision of the State of California ("Beneficiary").

**GRANT IN TRUST**

1. **GRANT.** Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor's interest in the property located at 1420 East Ocean Avenue in the City of Lompoc, County of Santa Barbara, California (the "Property"), as more particularly described in the attached Exhibit A, incorporated herein by this reference;

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

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

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

### **OBLIGATIONS SECURED**

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

A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of Five Hundred Thousand Dollars (\$500,000) with interest thereon, evidenced by a promissory note executed by Trustor, in the amount of Five Hundred Thousand Dollars (\$500,000) (the "HOME Note") on file at the offices of Beneficiary and hereby incorporated by reference into this 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 Deed of Trust; and

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

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

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

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

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

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

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

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

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

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

### COMMERCIAL CODE SECURITY AGREEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

### **DEFAULT AND REMEDIES**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**GENERAL PROVISIONS**

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

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

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

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

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

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

**TRUSTOR:** Lompoc Pacific Associates,  
**a California limited partnership.**  
c/o Surf Development Company  
815 West Ocean Avenue  
Lompoc, CA 93436

With copy to: CREA Cypress Court, LLC  
CREA SLP, LLC  
City Real Estate Advisors, Inc.  
30 S. Meridian Street, Suite 600  
Indianapolis, Indiana 46204  
Attention: Asset Management Department

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

36. **WAIVER.** Any waiver by Beneficiary of any obligation of Trustor in this Deed of Trust must be in writing. No waiver will be implied from any delay or failure by Beneficiary to

take action on any breach or default of Trustor or to pursue any remedy allowed under the Deed of Trust or applicable law. Any extension of time granted to Trustor to perform any obligation under this Deed of Trust shall not operate as a waiver or release Trustor from any of its obligations under this Deed of Trust. Consent by Beneficiary to any act or omission by Trustor shall not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for Beneficiary's written consent to future waivers.

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

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

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

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

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

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

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

**44. NONRECOURSE OBLIGATION.** Except as expressly provided in the second paragraph of this section, the Trustor, and the Trustor's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the Note or the performance of the covenants of the Trustor under the Deed of Trust securing the Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the Beneficiary, or (b) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the Note as demand for money within the meaning and 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 Note, except as hereafter set forth; nothing contained herein is intended to relieve the Trustor of personal liability for (a) fraud or willful misrepresentation; (b) the failure to pay taxes, assessments or other charges (which are not contested by Trustor in good faith) which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (c) the fair market value of any personal property or fixtures removed or disposed of by Trustor other than in accordance with the Deed of Trust; (d) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; (e) the Trustor's indemnification obligations under the Loan Agreement; and (f) payment to the Beneficiary of any rental income or other income arising with respect to the Property received by the Trustor after the Beneficiary has given notice to the Trustor of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the Deed of Trust.

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

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

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

TRUSTOR:

**Lompoc Pacific Associates,**  
a California limited partnership

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

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

AND

By: TPC Holdings, V, LLC  
An Idaho Limited Liability Company  
Administrative General Partner

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

[TRUSTOR'S SIGNATURE MUST BE ACKNOWLEDGED]

EXHIBIT A

Legal Description of the Property

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

**EXHIBIT D**  
**NOTE**





EXHIBIT D  
PROMISSORY NOTE

Santa Barbara, California

\$500,000

\_\_\_\_\_, 2012

FOR VALUE RECEIVED, Lompoc Pacific Associates, a California limited partnership ("Borrower"), whose address is 815 West Ocean Blvd, Lompoc, California, 93436, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California ("Lender"), whose address is 105 E. Anapamu Street, Room 105, Santa Barbara, California 93101, the principal amount equal to Five Hundred Thousand Dollars (\$500,000), 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 Sixty (60) units of affordable housing, Lender loaned the amount of Five Hundred Thousand Dollars (\$500,000) to Borrower. Such funds are derived from funds received by the County from the Federal Department of Housing and Urban Development HOME Investment Partnerships Program (the "HOME Funds").

2. **BORROWER'S OBLIGATION.** This promissory note (the "Note") evidences Borrower's obligation to pay Lender the principal amount of Five Hundred Thousand Dollars (\$500,000), (the "Loan") for the HOME Funds loaned to Borrower by Lender for the specific uses designated in a loan agreement of even date herewith, between Borrower and Lender (the "Loan Agreement").

3. **INTEREST.** Subject to Section 4, this Note shall bear simple interest at the rate of three percent (3.0%) per annum.

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

5. **AMOUNT AND TIME OF PAYMENT.** The principal and all current and accrued interest of the Loan shall be due and payable on the earlier of (a) fifty five (55) years from the date of the Note, (b) the date the Property is sold or otherwise transferred except for a transfer to the general partner of Borrower or an affiliate thereof that has been approved by Lender in writing, (c) Borrower has failed to commence construction as set forth in Section 4.5 of the Loan Agreement, or (d) an Event of Default by Borrower which has not been cured as provided for in the Loan Agreement. In any event, the principal and all current and accrued interest of the Loan shall be due and payable no later than December 15, 2067.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21. **NONRECOURSE.** Except as expressly provided in the second paragraph of this section, Borrower, and Borrower's partners, officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, this Note. The sole recourse of the Lender with respect to the principal of, or interest on, the Note shall be to the property securing the indebtedness evidenced by the Note. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the Lender, or (ii) be deemed in

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

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

**BORROWER:**

**Lompoc Pacific Associates,**  
a California limited partnership

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

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

**AND**

By: TPC Holdings, V, LLC,  
An Idaho Limited Liability Company  
Administrative General Partner

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

**EXHIBIT E**  
**REGULATORY AGREEMENT**



EXHIBIT E

NO FEE DOCUMENT

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

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

NO FEE DOCUMENT PURSUANT TO  
GOVERNMENT CODE SECTION 27383

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**REGULATORY AGREEMENT AND  
DECLARATION OF RESTRICTIVE COVENANTS**

This Regulatory Agreement and Declaration of Restrictive Covenants (this "Agreement") is made as of this \_\_\_ day of February, 2012 by and between the County of Santa Barbara, a political subdivision of the State of California (the "Lender"), and Lompoc Pacific Associates, a California limited partnership (the "Owner").

**RECITALS**

- A. The Owner owns a parcel of real property located at 1420 East Ocean Avenue in the City of Lompoc, County of Santa Barbara, California, as more particularly described in Exhibit A (the "Property") upon which the Owner intends to construct Sixty (60) units of senior rental housing (the "Development").
- B. The Lender has received HOME Investment Partnerships Program funds ("HOME Funds") from the United States Department of Housing and Urban Development ("HUD") pursuant to the Cranston-Gonzales National Affordable Housing Act of 1990 for the purpose of expanding the supply of decent, safe, sanitary and affordable housing for low-income persons and families.
- C. Owner has received a loan from Lender a loan of HOME Funds in the amount of Five Hundred Thousand Dollars (\$500,000) to provide financing for the Development (the "Loan").
- D. As further consideration for this funding and to further the interests of the Lender, the Owner has agreed to enter into and record this Agreement. The purpose of this Agreement is to regulate and restrict the occupancy, rents, operation, the ownership, and management of the Development. The covenants in this Agreement are intended to run with the land and be binding on the Owner and its successors and assigns in the Property.



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

## **1. DEFINITIONS**

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

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

1.2 **“HOME ASSISTED UNIT”** means any of the eleven (11) Units in the Development with restricted occupancy and rents pursuant to this Agreement which has been designated as an HOME Assisted Unit. A Unit shall not be considered an HOME Assisted Unit until the Unit has been constructed and made available for occupancy.

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

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

1.5 **“DEVELOPMENT”** means the sixty (60) units of housing with appurtenant parking and site improvements on the Property to be constructed by the Owner on the Property according to the terms of the Loan Agreement.

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

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

1.8 **“LOAN AGREEMENT”** is the Loan Agreement executed by and between the Owner and the Lender, setting forth the terms and conditions governing the Loan.

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

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

1.11 **“OWNER”** means Lompoc Pacific Associates, a California Limited Partnership.

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

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

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

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

1.16 **“TERM”** means the fifty-five (55) year term of this Agreement during which the HOME Assisted Units must meet the affordability requirements imposed under the HOME Program, commencing when the project is closed in the Federal Integrated Disbursement Information System.

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

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

## **2. TERM AND COMPLIANCE**

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

2.2 **TERM OF AGREEMENT.** This Agreement shall commence upon execution and shall remain in full force and effect until fifty-five (55) years following the date the project is closed out in the federal Integrated Disbursement and Information System. The requirements of this Agreement shall apply throughout the Term without regard to the term of any loan or mortgage or any transfer of ownership of the Property.

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

### **3. DEVELOPMENT OCCUPANCY AND RENTS**

**3.1 OCCUPANCY OF DEVELOPMENT.** A total of eleven (11) Units in the Development shall be designated as HOME Assisted Units. The HOME Assisted Units must be occupied, or reserved for occupancy by, Qualifying Households.

**3.2 HOME ASSISTED UNITS.** The Owner shall limit for the full term of this Agreement the rental of eleven (11) HOME Assisted Units to Very Low-Income Households at rents that do not exceed the maximum rental charges for each HOME Assisted Unit as set forth in this Agreement.

The eleven HOME Assisted Units shall meet the following standards:

- A. The HOME Assisted Units shall be designated as “floating” units, so that the units that are designated as HOME Assisted under this Agreement may change over time as long as the total number of HOME Assisted units in the Project remains constant;
- B. Generally reflect the average number of bedrooms per dwelling unit in the Project;
- C. Be similarly constructed and of comparable quality to all other units in the Project;
- D. Be dispersed throughout the Project;
- E. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other Units; and

#### **3.3 MAXIMUM RENTAL CHARGES.**

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

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

**3.4 INCOME CERTIFICATION.** The income levels and other qualifications of applicants for HOME Assisted Units shall be certified by Owner within sixty (60) business days of the household's expected occupancy of an HOME Assisted Unit and recertified annually

thereafter by the Owner. If the household size of a household occupying an HOME Assisted Unit changes, the Owner may request additional information and documentation to determine eligibility.

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

- (1) Third Party Verification: A third party (e.g., employer, Social Security Administration, or public assistance agency, etc.) is contacted to provide information to verify income. Written requests and responses are generally preferred; however, conversations with a third party are acceptable if thoroughly documented in writing.
- (2) Review of Documents: The household provides documents verifying their income (e.g., pay stubs, tax returns, etc.). These documents must then be retained in the project files.

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

3.5 **INCREASES IN TENANT INCOMES.** In the event that recertification of a household occupying an HOME Assisted Unit, or changes to the composition of a household occupying an HOME Assisted Unit indicates that the household's income exceeds the maximum designated income for a Very Low-Income Household, the Owner may increase rents on such Unit as permitted by HUD to no more than 30% of 1/12 of the household's income, and the household may be permitted to continue to occupy the Unit. In such event, Owner shall rent the next available comparable Unit to a Qualified Household at no more than the rent set forth in Section 3. Upon such rental, the Unit occupied by the non-qualified household shall no longer be classified as an HOME Assisted Unit and the newly rented unit to a Qualified Household shall be deemed an HOME Assisted Unit.

#### **4. LEASING THE DEVELOPMENT.**

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

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

B. In addition to executing a lease for an HOME Assisted Unit, the Owner shall require that each household leasing an HOME Assisted Unit execute a declaration of intent to

occupy which shall require the household to occupy the HOME Assisted Unit as the household's primary residence.

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

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

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

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

4.3 **SECTION 8 CERTIFICATE HOLDERS.** The Owner will accept as tenants, on the same basis as all other prospective tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States

Housing Act, or its successor. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that is more burdensome than criteria applied to all other prospective tenants, nor shall the Owner apply or permit the application of management policies or lease provisions with respect to the Development which have the effect of precluding occupancy of units by such prospective tenants.

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

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

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

## **5. PROPERTY MANAGEMENT**

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

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

**5.3 INSPECTION AND RECORDS.** The Owner shall maintain records which clearly document the Owner's performance of its obligations to operate the Property under the terms of

this Agreement. The Owner shall submit any records to the Lender within ten (10) business days of the Lender's request. The Owner shall permit the Lender to enter and inspect the Development for compliance with obligations under this Agreement upon twenty-four (24) hours advance notice of such visit by the Lender to the Owner or the Owner's management agent and to tenants of any Units.

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

**5.5 ANNUAL REPORT.** The Owner shall submit to the Lender a report in a form approved by Lender for the preceding period of January 1st through December 31st, containing the information requested by Lender so as to allow the Lender to determine the Owner's compliance with this Agreement. The report shall be submitted annually no later than March 1<sup>st</sup>, and shall include, at a minimum, (i) a statement of the fiscal condition, including audited financial statements for the preceding year, (ii) occupancy of the project, (iii) a statement of the physical condition, (iv) general management performance, (v) for each Unit, the Rent, income, and household size of the household occupying the Unit. The report shall also state the date the tenancy commenced for each rental Unit and such other information as the Agency may be request.

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

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

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

**5.8 PROPERTY STANDARDS.** Throughout the term of this Agreement, Owner shall maintain and operate the Property in good repair and habitable condition and in full conformance with applicable local, state and federal statutes and regulations and building and housing codes, including:

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

D. Site and neighborhood standards as set forth at 24 CFR 893.6(b).

## **6. GENERAL PROVISIONS**

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

**Owner:** Lompoc Pacific Associates,  
a California limited partnership.  
c/o Surf Development Company  
815 West Ocean Avenue  
Attn: Executive Director

With copy to: CREA Cypress Court, LLC  
CREA SLP, LLC  
City Real Estate Advisors, Inc.  
30 S. Meridian Street, Suite 600  
Indianapolis, Indiana 46204  
Attention: Asset Management Department

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

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

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

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

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

**IN WITNESS WHEREOF**, Lender and Owner have caused this Agreement to be executed by their respective duly authorized officer.

**ATTEST**  
CHANDRA L. WALLAR  
CLERK OF THE BOARD

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

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

By: \_\_\_\_\_  
DOREEN FARR  
Chair, Board of Supervisors

**APPROVED AS TO FORM**  
RISK MANAGEMENT  
RAY AROMATORIO, ARM, AIC

By: \_\_\_\_\_  
Risk Manager

**OWNER:**  
**Lompoc Pacific Associates ,**  
a California limited partnership

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

**APPROVED AS TO**  
**ACCOUNTING FORM:**  
ROBERT W. GEIS, CPA  
AUDITOR-CONTROLLER

By: \_\_\_\_\_  
Deputy Auditor-Controller

By: \_\_\_\_\_  
Name: Raymond Down  
Title: President  
(Signature must be notarized)

AND

By: TPC Holdings, V, LLC,  
An Idaho Limited Liability Company  
Administrative General Partner

**APPROVED AS TO FORM**

DENNIS A. MARSHALL  
COUNTY COUNSEL

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

By: \_\_\_\_\_  
Name: Caleb J. Roope  
Title: Manager  
(Signature must be notarized)

State of California  
County of Santa Barbara

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

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

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

**EXHIBIT A**  
**LEGAL DESCRIPTION**

**EXHIBIT B**  
**INSURANCE REQUIREMENTS**

## EXHIBIT B

### STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS

#### INDEMNIFICATION

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

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

#### INSURANCE

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

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

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

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

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

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

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

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



**EXHIBIT F**  
**SCHEDULE OF CONSTRUCTION**



**EXHIBIT G**  
**INSURANCE REQUIREMENTS**

## EXHIBIT G

### STANDARD INDEMNIFICATION AND INSURANCE PROVISIONS

#### INDEMNIFICATION

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

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

#### INSURANCE

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

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

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

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

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

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

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

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

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

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

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

EXHIBIT H

**MANAGEMENT PLAN**

PROJECT: CYPRESS COURT, Lompoc, CA 93436

OWNER: Lompoc Pacific Associates, a California L.P.

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

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

**ON-SITE AND INDIRECT MANAGEMENT**

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

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

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

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

Typical activities are as follows:

**INITIAL RENT-UP AND CONTINUED OCCUPANCY**

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



## **RENT COLLECTION**

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

## **MAINTENANCE**

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

## **TENANT RELATIONS AND SERVICES**

- Tenant Services
- Tenant Grievances and Problems
- House Rules and Policies

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

### **RENT-UP AND OCCUPANCY**

Appropriate Agent staff will:

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

## **RENT COLLECTION**

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

## **MAINTENANCE**

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

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

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

## **TENANT RELATIONS AND SERVICES**

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

## **AFFIRMATIVE FAIR MARKETING HOUSING PLAN**

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

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

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

## **GENERAL ADMINISTRATION AND MANAGEMENT**

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