

**LOAN AGREEMENT
(\$50,000)**

Between

County of Santa Barbara

and

Good Samaritan Shelters, Incorporated

**CASA DE FAMILIA
AFFORDABLE HOUSING DEVELOPMENT PROJECT**

TABLE OF CONTENTS

	Page
RECITALS	1
ARTICLE 1 DEFINITIONS	1
1.1 "ANNUAL FINANCIAL STATEMENT".....	1
1.2 "BORROWER".....	1
1.3 "BUDGET".....	2
1.4 "COUNTY".....	2
1.5 "DEED OF TRUST".....	2
1.6 "ESCROW HOLDER".....	2
1.7 "HAZARDOUS MATERIALS".....	2
1.8 "HOME FUNDS".....	2
1.9 "HUD".....	2
1.10 "IMPROVEMENTS".....	2
1.11 "INSURANCE REQUIREMENTS".....	2
1.12 "LENDER".....	3
1.13 "LOAN".....	3
1.14 "LOAN AGREEMENT".....	3
1.15 "LOAN DOCUMENTS".....	3
1.16 "MEDIAN INCOME".....	3
1.17 "NOTE".....	3
1.18 "OPERATING EXPENSES".....	3
1.19 "PAYMENT DATE".....	3
1.20 "PROJECT".....	3
1.21 "PROPERTY".....	3
1.22 "QUALIFYING HOUSEHOLD".....	3
1.23 "RESIDUAL RECEIPTS".....	3
1.24 "STATEMENT OF WORK".....	4
1.25 "REVENUE".....	4
ARTICLE 2 TERMS OF THE LOAN	4
2.1 LOAN	4
2.2 AMOUNT.....	4
2.3 INTEREST.....	4
2.4 DEFAULT INTEREST	4
2.5 TERM OF LOAN.....	4
2.6 HOME PROGRAM FUNDS	4
2.7 USE OF FUNDS	5
2.8 SECURITY.....	5
2.9 REPAYMENT OF THE LOAN.....	5
2.10 PREPAYMENT OF LOAN	5
2.11 RECORDING.....	6
2.12 REPAYMENT MAY BE FORGIVEN BY LENDER.....	6

TABLE OF CONTENTS
(continued)

	Page
ARTICLE 3 LOAN DISBURSEMENT	6
3.1 CONDITIONS PRECEDENT TO DISBURSEMENT	6
3.2 DISBURSEMENT OF LOAN PROCEEDS	6
3.3 AMOUNT OF DISBURSEMENT	7
ARTICLE 4 DEVELOPMENT OF PROJECT	7
4.1 SCOPE OF WORK	7
4.2 USE OF HOME FUNDS.....	7
4.3 FINANCING	7
4.4 COMPLIANCE WITH HOME PROGRAM REQUIREMENTS	7
4.5 RELOCATION.....	8
ARTICLE 5 OPERATION	8
5.1 NONDISCRIMINATION.....	8
5.2 RECORDS	8
5.3 AUDITS.....	9
5.4 ENCUMBRANCE OF PROPERTY	9
5.5 TRANSFER OF PROPERTY.....	9
5.6 FEES TAXES AND OTHER LEVIES.....	9
5.7 DAMAGE TO PROPERTY	10
5.8 EQUAL EMPLOYMENT OPPORTUNITY	10
ARTICLE 6 INDEMNITY AND INSURANCE	10
6.1 INDEMNITY AND INSURANCE	10
6.2 NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS	10
ARTICLE 7 HAZARDOUS MATERIALS	10
7.1 REPRESENTATIONS AND WARRANTIES.....	10
7.2 NOTIFICATION TO LENDER	11
7.3 USE AND OPERATION OF PROPERTY	11
7.4 REMEDIAL ACTIONS.....	11
7.5 RIGHT OF CONTEST	11
7.6 ENVIRONMENTAL INDEMNITY	11
ARTICLE 8 DEFAULT AND REMEDIES	12
8.1 EVENTS OF DEFAULT	12
8.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE	13
8.3 LENDER’S REMEDIES	13
ARTICLE 9 GENERAL PROVISIONS	14
9.1 BORROWER’S WARRANTIES	14
9.2 MONITORING AND EVALUATION	15

TABLE OF CONTENTS

(continued)

	Page
9.3 CONFLICTS OF INTEREST	15
9.4 POLITICAL ACTIVITY	15
9.5 PUBLICITY	15
9.6 TERM OF THIS AGREEMENT	16
9.7 GOVERNING LAW	15
9.8 STATUTORY REFERENCES	15
9.9 TIME	16
9.10 CONSENTS AND APPROVALS	16
9.11 NOTICES, DEMANDS AND COMMUNICATIONS	16
9.12 BINDING UPON SUCCESSORS	16
9.13 RELATIONSHIP OF PARTIES	16
9.14 ASSIGNMENT AND ASSUMPTION	16
9.15 WAIVER	17
9.16 INTEGRATION	17
9.17 OTHER AGREEMENTS	17
9.18 AMENDMENTS AND MODIFICATIONS	17
9.19 SEVERABILITY	17

Exhibit A	Legal Description
Exhibit B	Project Budget
Exhibit C	Deed of Trust
Exhibit D	Promissory Note
Exhibit E	Insurance Requirements
Exhibit F	Statement of Work

**LOAN AGREEMENT
(GOOD SAMARITAN SHELTERS, INC., CASA DE FAMILIA)**

This Loan Agreement is made as of this __ day of _____, 2008, by and between the County of Santa Barbara, political subdivision of the State of California (“Lender”), and Good Samaritan Shelters, Inc., a California nonprofit public benefit corporation (“Borrower”).

RECITALS

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

B. Borrower has acquired a property in order to construct a sixteen (16) unit affordable housing project. The property is located at 412 West Morrison Street, in the City of Santa Maria, which is located in Santa Barbara County, California, as more particularly described in Exhibit A. (the “Property”)

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

D. Pursuant to 24 Code of Federal Regulations Section 92.301(b) Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a project specific, seed-money loan in the amount of Fifty Thousand Dollars (\$50,000) to pay for certain pre-development costs (the “Loan”). The terms of the Loan are set out in this Loan Agreement.

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

ARTICLE 1 DEFINITIONS

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

1.1 “**ANNUAL FINANCIAL STATEMENT**” means the financial statement of Operating Expenses and Revenues, prepared at Borrower’s expense, by an independent certified accountant reasonably acceptable to Lender, which shall be provided as part of the Annual Report to Lender, and which shall form the basis for determining Residual Receipts.

1.2 **“BORROWER”** is Good Samaritan Shelters, Inc., a California nonprofit public benefit corporation and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

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

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

1.5 **“DEED OF TRUST”** is that deed of trust, assignment of rents, and security agreement placed on the leasehold estate in the Property and the improvements to be constructed thereon as security for the Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust, attached hereto as Exhibit C. The terms of the Deed of Trust have been incorporated into this Loan Agreement. The Deed of Trust will not be recorded against the Property until the execution of the Long-Term Lease and recordation of a memorandum thereof.

1.6 **“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.

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

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

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

1.10 **“IMPROVEMENTS”** means any improvements and development of the property.

1.11 **“INSURANCE REQUIREMENTS”** means the insurance coverage which must be in full force and effect during the predevelopment work, as specified in Exhibit E.

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

1.13 **“LOAN”** means the loan of funds in the amount of Fifty Thousand Dollars (\$50,000) from the Lender to the Borrower as provided in this Loan Agreement to finance certain predevelopment costs necessary for development of the Property as set forth herein.

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

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

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

1.17 **“NOTE”** means the promissory note executed by the Borrower in favor of Lender in the amount of Fifty Thousand Dollars (\$50,000) to evidence the Loan as well as any amendments to, modifications of, or restatements of said promissory note, substantially in the form attached hereto as Exhibit D.

1.18 **“OPERATING EXPENSES”** shall mean, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Property upon completion of anticipated improvements, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, 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 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 approved by the County Director of Housing and Community Development. Operating Expenses may include the payment by Borrower of a reasonable partnership management fee and a reasonable asset management fee. The Operating Expenses shall be reported in the Annual Financial Statement.

1.19 **“PAYMENT DATE”** shall mean the first April 1st following recordation of a Notice of Completion for the development of the Property as permanent housing and each April 1st thereafter until the Loan is paid in full or otherwise terminated.

1.20 “**PROJECT**” means the preconstruction activities on the Property as set forth in the Statement of Work attached hereto as Exhibit F.

1.21 “**PROPERTY**” is located at 412 West Morrison Street in the City of Santa Maria, which is located in Santa Barbara County, California, as more particularly described in Exhibit A, which is incorporated into this Loan Agreement by this reference.

1.22 “**QUALIFYING HOUSEHOLD**” means a household that qualifies as a Very Low Income Household and meets specific program participation requirements as set forth by Owner in program participation guidelines.

1.23 “**RESIDUAL RECEIPTS**” means for any calendar year Revenues minus Operating Expenses.

1.24 “**STATEMENT OF WORK**” means the description of pre-development work to be undertaken by Borrower pursuant to this Agreement as set forth in Exhibit F.

1.25 “**REVENUE**” means all income derived from the development of the Property, including but not limited to rent from the units and income from laundry operations.

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 Fifty Thousand Dollars (\$50,000) 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 3% from the date on which the principal amount of the Loan is initially advanced to Borrower through the thirty (30) year term of the loan term.

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

2.5 **TERM OF LOAN.** The principal of the Loan shall be due and payable on the earlier of: (a) thirty (30) years from the date of the Note, or (b) the date the Property is sold or otherwise transferred or (c) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement. 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. Notwithstanding the above, in the event that the Property is not developed with a

housing project serving homeless individuals within five (5) years from the date the Loan Agreement, then all current and accrued interest shall be due and payable.

2.6 **HOME PROGRAM FUNDS.** Any and all repayment or prepayment of 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.** HOME Loan proceeds shall be used only for those certain predevelopment costs as specified in the Budget.

2.8 **SECURITY.** Borrower shall secure its obligation to repay the Loan by executing a Deed of Trust, in substantially the form attached hereto as Exhibit C and recording it as a lien against the Property.

2.9 **REPAYMENT OF THE LOAN.** Borrower shall make annual payments on the Loan from Residual Receipts. Payments shall commence on the first April 1st following recordation of a Notice of Completion for the development of the Property as a multi-family housing development. Borrower shall make annual payments on the Loan from Residual Receipts as that term is defined in the Note. On or before each Payment Date the Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year. Lender shall review and approve such statement, or request revisions, within sixty (60) days of 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.

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

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

2.12 **REPAYMENT MAY BE FORGIVEN BY LENDER.** Lender's Director of Housing and Community Development may, but is not required to forgive repayment of the Loan in part or in full if he determines that there are impediments to project development that are reasonably beyond the control of Borrower.

ARTICLE 3 LOAN DISBURSEMENT

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

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

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

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

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

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

G. Borrower has complied with all California Relocation Assistance Act of 1970 (CA Gov't Code Sec 7260 et seq.) requirements, as applicable.

3.2 **DISBURSEMENT OF LOAN PROCEEDS.** Disbursement of Loan proceeds shall not exceed Fifty Thousand Dollars (\$50,000). Lender must approve all requests for payment prior to disbursement of Loan proceeds for payment of predevelopment costs already incurred on the Project. Borrower requests for disbursement must be accompanied by proof of the cost incurred in an amount consistent with Exhibit B in a form reasonably approved by Lender. As a special disbursement condition, Lender shall holdback One Thousand Dollars (\$1,000) of HOME funds for predevelopment costs until 30 days after Borrower has completed Project predevelopment activities and any and all liens against the Property are released. All HOME funds shall be used as are specified in the Sources and Uses identified in the Budget attached hereto as Exhibit B and incorporated herein by this reference.

3.3 **AMOUNT OF DISBURSEMENT.** Loan proceeds shall be disbursed up to the amount of the Loan shown in the Budget and only for Lender approved items. Changes in individual items comprising the Budget shall require the prior 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. Any costs above this amount necessary for the completion of the Project shall be the sole responsibility of Borrower.

ARTICLE 4 DEVELOPMENT OF PROJECT

4.1 **SCOPE OF WORK.** Borrower has submitted to Lender a Statement of Work set forth as Exhibit F hereto which describes the use of HOME Funds including the tasks to be performed. Borrower agrees to perform the work as set forth in the Statement of Work.

4.2 **USE OF HOME FUNDS.** HOME Funds shall be used exclusively for HOME-eligible project costs as set forth in the Project Budget relating to the approval and development of permanent housing for homeless persons.

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

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

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

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

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

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

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

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

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

4.5 **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.

ARTICLE 5 OPERATION

5.1 **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.

5.2 **RECORDS.** Borrower shall be accountable to Lender for all funds disbursed to Borrower pursuant to the Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures drawn from Loan funds, and to keep all invoices, receipts, and other documents related to expenditures from said Loan funds for not less than three years after completion of the improvements on the Property as evidenced by the recording of a Notice of Completion. 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 Property and cooperate with Lender in the execution of the Project.

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

5.4 **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 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.

5.5 **TRANSFER OF PROPERTY.** Borrower has not made or created, and shall not, make or permit any sale, assignment, conveyance, lease, or other transfer of this Loan Agreement, or the Property, or any part thereof, without the prior written consent of Lender.

5.6 **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.

5.7 **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 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.

5.8 **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 indemnity requirements set forth in Exhibit E attached hereto and incorporated herein by reference and to procure and maintain insurance in accordance with the provisions of Exhibit E.

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

ARTICLE 7 HAZARDOUS MATERIALS

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

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

designated as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

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

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

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

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

ARTICLE 8 DEFAULT AND REMEDIES

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

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

C. 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 Property, whether or not Lender is a party to such agreement which may materially impair Lender's security;

D. 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;

E. 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;

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

8.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For all Events of Default, Lender shall give written notice to Borrower of any Event of Default by specifying: (a) the nature of the event or deficiency giving rise to the Default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days from the date of receipt of the notice or the date the notice was refused, by which such action to cure must be taken or if a cure is not possible within thirty (30) days, to begin such cure and diligently prosecute such 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.

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 remedial actions with respect to Hazardous Materials that Lender deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for development;

E. Seek appointment from a court of competent jurisdiction of a receiver with 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 development);

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 this loan such as judgment liens, tax liens, mechanic's liens, bankruptcy, etc.; and (6) that all representations in the Borrower's loan application (including all supplementary submissions) are true, correct and complete in all material respects and are offered to induce Lender to make this loan.

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

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

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

B. The conflict of interest provisions of Section 9.3(A) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such

person, or any elected or appointed official of the County, or any person related within the third (3rd) degree of such person.

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

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

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

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

9.8 **STATUTORY REFERENCES.** All references in the Loan Documents 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
105 E Anapamu Street, Room 105
Santa Barbara, CA 93101
Attn: Program Manager

Housing Development and Grants Administration Division

BORROWER: Good Samaritan Shelters, Inc.
731 South Lincoln
Santa Maria, CA 93458
Attn: Executive Director

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

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

COUNTY:

APPROVED AS TO FORM:

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

DANIEL J. WALLACE
COUNTY COUNSEL

By: _____
Salud Carbajal
Chair Board of Supervisors

By: _____
Deputy County Counsel

Its: Director,
Housing and Community Development

APPROVED AS TO FORM:

OWNER:

BOB GEIS
AUDITOR CONTROLLER

Good Samaritan Shelters, Inc,
a California nonprofit public benefit
corporation

By: _____
Mark Paul
Division Chief

By: _____
Its: _____

Expenditure Accounting Information
Fund: 0066 Dept: 055
Line Item: 7650 Program: 6001

And
By: _____
Its: _____

APPROVED AS TO FORM:

RAY AROMATORIO
RISK PROGRAM ADMINISTRATOR

By: _____

EXHIBIT A
LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT B

SCOPE OF PREDEVELOPMENT SERVICES PROJECT BUDGET

EXHIBIT C
DEED OF TRUST

EXHIBIT D
PROMISSORY NOTE

EXHIBIT E
INSURANCE REQUIREMENTS

EXHIBIT F
STATEMENT OF WORK