

**AMENDED AND RESTATED
COUNTY LAND LOAN AGREEMENT
(\$4,000,000)**

Between County of Santa Barbara

and

Hollister Lofts, L.P.

(Hollister Lofts)

AMENDED AND RESTATED COUNTY LAND LOAN AGREEMENT (Hollister Lofts)

This Amended and Restated County Land Loan Agreement (“Agreement”) is made as of [], 2026, by and between the County of Santa Barbara, a political subdivision of the State of California (“Lender”), and Hollister Lofts, L.P., a California limited partnership (“Borrower”), and fully amends and restates that certain County Land Loan Agreement made as of November 5, 2025 by and between Lender and Borrower.

RECITALS

A. These Recitals utilize certain capitalized terms that are defined in Article 1 of this Agreement. The parties hereto intend to refer to those definitions in connection with their use in these Recitals.

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

C. Borrower proposes to acquire that certain real Property located at 4540 Hollister Avenue, Goleta, California, as more particularly described in Exhibit A. The County Land Loan will be used for the acquisition of the Property.

D. Borrower wishes to borrow from Lender and Lender wishes to extend to Borrower a loan of non-federal, County funds in the amount of Four Million Dollars and No Cents (\$4,000,000.00) to finance the acquisition of the Property. The County Land Loan is being made to finance acquisition costs associated with the Project in order to help achieve financial feasibility for the Project and maximize the affordability of the rental housing.

E. Borrower will secure necessary construction and permanent loans for the development of the Project.

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

ARTICLE 1. DEFINITIONS

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

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

1.2 “**AREA MEDIAN INCOME**” means the area median income for the Santa

Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area, as determined annually by HUD with adjustments for household size.

1.3 **“ASSISTED UNIT”** means any one of the sixteen (16) units designated by Borrower as an Assisted Unit subject to the requirements of the County Land Loan Regulatory Agreement.

1.4 **“BORROWER”** means Hollister Lofts, L.P., a California limited partnership, and its authorized representatives, assigns, transferees, and successors-in-interest to the extent permitted in accordance with Section 9.14, below. As the borrowing entity is organized as a limited partnership, “Borrower” includes the general partner or general partners who have effective control over the operation of the partnership, or, if the general partner is controlled by another entity, the controlling entity.

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

1.6 **“COUNTY LAND LOAN”** means the loan of County funds in the amount of Four Million Dollars (\$4,000,000) from the Lender to the Borrower as provided in this County Land Loan Agreement and as evidenced by the Note to finance Borrower’s acquisition of the Property.

1.7 **“COUNTY LAND LOAN AGREEMENT”** means this Agreement entered into between Lender and Borrower.

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

1.9 **“COUNTY LAND LOAN REGULATORY AGREEMENT”** means the amended and restated agreement which regulates the operation of the Project executed by Borrower and Lender, substantially in the form attached hereto as Exhibit D, as well as any amendments to, modifications of, and restatements of the County Land Loan Regulatory Agreement. The terms of the recorded County Land Loan Regulatory Agreement are hereby incorporated into this County Land Loan Agreement.

1.10 **“DEED OF TRUST”** means that amended and restated deed of trust, assignment of rents, and security agreement recorded as a lien against the Property as security for the Note that evidences the County Land Loan by Borrower as trustor with Lender as beneficiary, substantially in the form attached hereto as Exhibit B, as well as any amendments to, modifications of, and restatements of the Deed of Trust. The terms of the recorded Deed of Trust are hereby incorporated into this County Land Loan Agreement.

1.11 **“DEFERRED DEVELOPER FEE”** means the portion of the Developer Fee that shall be paid from Project operating cash flow after the Project has completed construction, placed in service, and converted to permanent financing at final financial closing, in an amount not to

exceed One Million Six Hundred Eighty Eight Thousand Two Hundred Seventeen Dollars (\$1,688,217).

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

1.13 **“HAZARDOUS MATERIALS”** means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants which are defined, regulated, or listed as "hazardous substances," "hazardous wastes," "hazardous materials," "pollutants," contaminants," or "toxic substances," under federal or state environmental and health and safety laws and regulations, including, without limitation: petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead.

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

1.15 **“Investor Services Fees”** means payments made to Borrower’s Limited Partner for purposes of providing services to the Borrower, in a maximum aggregate amount not to exceed \$5,000 per annum (escalating by 3.00% per annum).

1.16 **“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.

1.17 **“NOTE”** means the amended and restated promissory note executed by the Borrower in favor of Lender in the amount of Four Million Dollars and No Cents (\$4,000,000.00) to evidence the County Land Loan, substantially in the form attached hereto as Exhibit C and hereby incorporated into this County Land Loan Agreement, as it may be amended or restated from time to time during the Term in accordance with the provisions thereof and this County Land Loan Agreement.

1.18 **“OPERATING EXPENSES”** means the 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, property management fees, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, cash deposited into reserves for capital replacements with respect to the Project in an amount not less than the amount specified in Section 2.12, below, purchase, lease, repair, servicing and installation of appliances, equipment, fixtures and furnishings, and reasonable fees and expenses of accountants, attorneys, consultants and other professionals in connection with and as necessary for the operation of the Project, payment of principal and interest on senior loans, repayment in full of that certain construction bridge loan made by the Housing Authority of the County of Santa Barbara in the amount of \$500,000, Tax Credit Adjuster Payments, Investor Services Fees, replenishment of Reserves, Deferred Development Fee, Partnership Administration Fees, and repayment of loans made by partners of Borrower. The Operating Expenses shall be reported in each Annual Financial Statement, and the Operating Expenses shall be subject to prior review and approval

by Lender each year during the Term.

1.19 **“PARTNERSHIP ADMINISTRATION FEE”** means an annual Partnership Administration Fee owed to Borrower’s General Partners under Borrower’s Third Amended and Restated Agreement of Limited Partnership, in a maximum aggregate amount not to exceed \$20,000 per annum (escalating by 3.00% per annum).

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

1.21 **“PROJECT”** means the construction, operation, management, and maintenance of the Property, in accordance with the terms of this County Land Loan Agreement, comprised of thirty-five (35) rental housing units, including one unrestricted manager’s unit, with rents and incomes restricted to very low income and low income persons in accordance with the terms of the County Land Loan Regulatory Agreement.

1.22 **“PROPERTY”** means the real property located at 4540 Hollister Avenue, Goleta, California, as more particularly described in Exhibit A, which is incorporated into this County Land Loan Agreement by this reference, and all improvements existing and constructed thereon during the Term.

1.23 **“RESIDUAL RECEIPTS”** means the amount of annual Revenue minus the sum of annual Operating Expenses.

1.24 **“REVENUE”** means all gross income received in whole or in part in connection with the Project including, but not limited to, rent from the Units and income from laundry operations, vending machines, meeting space rental, storage, and parking, rental subsidy payments, and interest on any accounts, other than approved reserve accounts, related to the Project.

1.25 **“RESERVES ”** means the following reserve accounts: (i) an operating reserve for the purpose of defraying potential operating shortfalls arising from necessary repairs on the Property and unforeseen circumstances beyond the rent-up period, (ii) a replacement reserves account for the purpose of defraying the cost of infrequent major repairs and replacement of building components that are too costly to be absorbed by the Project’s annual operating budget, and (iii) a reserve account for purposes of preventing tenant displacement resulting from the termination of rent subsidies.

1.26. **“TAX CREDIT ADJUSTER PAYMENT”** means payments made to Borrower’s Limited Partner in the amount by which the low-income housing tax credits received by Borrower’s Limited Partner is less than the amount projected as of the date hereof, pursuant to the provisions of Section 3.03 of Borrower’s Third Amended and Restated Agreement of Limited Partnership.

ARTICLE 2. TERMS OF THE LOAN

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

2.2 AMOUNT. The principal amount of the County Land Loan shall be an amount not to exceed Four Million Dollars and No Cents (\$4,000,000.00) and shall be evidenced by the Note.

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

2.4 DEFAULT INTEREST. In the Event of Default by Borrower of any of its obligations under this County Land Loan Agreement and expiration of applicable cure periods (as described in Article 8), Borrower shall pay to Lender interest on the outstanding principal of the County Land 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 Event of Default until the date that the default is cured, if subject to cure, or the County Land Loan is repaid in full.

2.5 TERM OF LOAN. The principal and all current and accrued interest of the County Land Loan shall be due and payable on the earlier of: (a) fifty-five (55) years after the first date as of which a certificate of occupancy has been issued by the applicable governmental authority for each of the Assisted Units, or (b) the date the Property or any interest therein is sold or otherwise transferred, whether directly or indirectly, by operation of law or otherwise, other than leases of the Units contemplated herein, or (c) an Event of Default by Borrower which has not been cured, if subject to cure, as provided for in this County Land Loan Agreement, or (d) if Borrower has fails to commence construction in accordance with Section 4.1, below.

2.6 USE OF FUNDS. County Land Loan proceeds shall be used only for the purchase of the Property, including related closing costs.

2.7 SECURITY. Borrower shall secure its obligation to repay the County Land Loan and Note by executing the Deed of Trust and recording it as a lien against the Property.

2.8 ORDER OF LOAN REPAYMENT. Payments on the County Land Loan shall be made from a portion of Residual Receipts as described in Section 2.9 below.

2.9 REPAYMENT OF THE COUNTY LAND LOAN. All accrued interest and principal shall be due and payable in accordance with the terms set forth in Section 2.5. No repayment is due under the County Land Loan until the Payment Date. Payments shall commence on the first day of April following recordation of a notice of completion issued for the Project. Borrower shall make annual payments on the County Land Loan in the amount equal to (i) the percentage resulting from dividing the principal amount of the County Land Loan by the sum of the principal amount of the County Land Loan and the loan from the Housing and Community Development No Place Like Home funds in the original principal amount of

\$4,565,305, and (ii) 50% of the Residual Receipts. On or before each Payment Date, Borrower shall submit the Annual Financial Statement to Lender for the preceding calendar year. Lender shall review and approve the Annual Financial Statement and determine annual Revenue. Lender shall review and approve the Annual Financial Statement and determine annual Operating Expenses as provided for below.

2.9.1 Operating Expenses. Thirty (30) days prior to the end of each calendar year during the Term, Borrower shall submit to Lender, for Lender's review and approval, a proposed operating budget for the Project for the following calendar year. The proposed operating budget shall include scheduled payments to be made into accounts for operating and capital replacement reserves. Should the actual total figure for operating expenses as established in the Annual Financial Statement exceed the proposed operating budget approved by Lender, then Borrower shall submit to Lender, for Lender's review and approval, the revised operating budget, and Lender shall determine what amount will constitute annual Operating Expenses in establishing the amount of Residual Receipts due to Lender.

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

2.9.3 Dispute Resolution. In the event that Lender determines that there is an understatement in the amount and payment of Residual Receipts due to Lender, Borrower shall promptly pay to Lender such understatement, but in any event, no later than within twenty (20) days of notice of such understatement. In the event that Lender determines that there has been an overpayment in the amount and payment of Residual Receipts due to Lender, Lender shall pay to Borrower the amount of overpayment promptly, but in any event, within twenty (20) days of Lender's determination of such overpayment. Borrower has the right to contest Lender's determinations hereunder, but shall pay under protest and may request an audit by an independent certified public accountant.

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

2.11 **RECORDING.** Within thirty (30) calendar days following the Borrower receiving an allocation of Low Income Housing Tax Credits from the California Tax Credit Allocation Committee, Lender shall open escrow at First American Title Company, 100 South H Street, Lompoc, California, or at such other escrow company as may be agreed to by the parties ("Escrow Holder"); with escrow instructions to be based upon the terms and conditions set forth in the Real Property Sale & Purchase Agreement and Escrow Instructions dated November 5, 2024. Borrower shall direct the Escrow Holder to record the Deed of Trust and the County Land Loan 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.

2.12 CAPITAL REPLACEMENT RESERVE FUNDS. Borrower shall fund a capital replacement reserve in the amount of not less than \$500 per unit per year, with a three percent (3%) annual increase.

ARTICLE 3. COUNTY LAND LOAN CONDITIONS PRECEDENT

3.1 CONDITIONS PRECEDENT TO LAND LOAN AGREEMENT. This County Land Loan shall not take effect unless the following conditions precedent are satisfied prior to the disbursement of the County Land 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 County Land Loan Documents, including but not limited to an ALTA Lender's policy of title insurance in the amount of the County Land Loan from a title insurance company approved by Lender in a form reasonably acceptable to Lender;

C. Borrower has provided evidence of insurance satisfactory to Lender as set forth in Article 6 hereof; and

D. Borrower has secured all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions relating to the Project.

ARTICLE 4.

DEVELOPMENT OF PROJECT

4.1 COMMENCEMENT OF CONSTRUCTION. Borrower shall commence construction of the Project no later than twenty-four (24) months after the Effective Date of this County Land Loan Agreement. Commencement of construction shall mean obtaining all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions, and commencing work on any task associated with the Project at the Property that requires a permit, entitlement or approval. If Borrower fails to commence construction as set forth above, Lender may terminate this County Land Loan Agreement pursuant to Article 8, below.

4.2 COMPLETION OF CONSTRUCTION. Borrower shall diligently pursue construction of the Project to completion, and shall complete construction of the Project no later than twenty four (24) months after commencement of construction, as defined in Section 4.1, above. Borrower shall provide proof of completion as evidenced by the recording of a notice of completion for the Project ("Notice of Completion") and securing certificate(s) of occupancy for each of the Units.

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

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

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

4.5 **INSPECTIONS.** Borrower shall permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Project site by Lender and by public authorities during reasonable business hours upon reasonable notice for the purposes of determining compliance with this County Land Loan Agreement. Copies of monthly construction inspection reports shall be provided to the County immediately upon completion of each such construction inspection report.

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

4.7 **CONSTRUCTION RESPONSIBILITIES.** Borrower shall be solely responsible for all aspects of Borrower's acts and omissions, and acts and omissions on behalf of Borrower, in connection with the Project, including, but not limited to, the quality and suitability of the 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 under the County Land Loan Documents, and should not be relied upon by Borrower or by any third parties as a warranty or representation by Lender as to the quality of the construction of the Project.

4.8 **BARRIERS TO THE DISABLED.** The Project shall be developed and the Property shall be maintained and operated in compliance with all applicable federal, state, and local requirements for access for disabled persons, including but not limited to Section 504 of the Rehabilitation Act of 1973 (29 USC 794), as amended, and with implementing regulations at 24 CFR Part 8, and the Fair Housing Act (42 USC 3601-3619), implemented at 24 CFR Part 100, Subpart D. Within thirty (30) days after Borrower has completed the construction of the Project, Borrower shall submit documentation of compliance with these requirements satisfactory to Lender, including, but not limited to, a certification from the Project architect documenting the unit number and type of accessibility features of each Unit.

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

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

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

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

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

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 thirty (30) days or more, and take all other reasonable steps to forestall the assertion of claims of lien against the Property. Borrower authorizes Lender, but without any obligation on the part of Lender, to record any notices of completion or cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interest in the Project and Property.

4.12 COMPLIANCE WITH NO PLACE LIKE HOME PROGRAM AND OTHER STATE REQUIREMENTS. All requirements imposed on properties assisted under the No Place Like Home ("NPLH") program are incorporated herein by this reference.

4.13 RELOCATION. If and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits, including but not limited to the Uniform Relocation and Real Property Acquisitions Act As Amended (42 USC 4601, et seq.) ("URA"), Section 104(d) of the Housing and Community Development Act of 1974 (42 USC 5304(d)), regulations at 24 CFR Part 42 and 49 CFR Part 24, and HUD Handbook 1378. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws. If, upon audit review by Lender or by any Federal agency, it is determined that additional relocation payments are due, then Borrower consents to make such payments. In the event Borrower does not make payments as requested by Lender, then such failure to make such payments shall constitute an Event of Default. Lender may require repayment of the County Land Loan plus any and all relocation payments due. Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and Exhibit E, Borrower hereby agrees to indemnify Lender for any action brought against Lender based on an alleged failure to comply with relocation obligations arising out of this Project.

ARTICLE 5. OPERATION

5.1 OPERATION OF PROJECT. Borrower shall operate, manage, and maintain the Project in full conformance with the terms of the County Land Loan Regulatory Agreement, which, among other provisions, include restrictions on the Property and the Project regarding Assisted Unit rents and tenant income, leases, and property standards. Any breach of the terms of the County Land Loan Regulatory Agreement and any of the other County Land Loan Documents shall constitute an Event of Default under this County Land Loan Agreement.

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

5.3 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, gender, gender identity or expression, sexual preference or orientation, age, marital status, family status, source of income, physical or mental disability, medical condition, genetic information, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), or any basis prohibited by law. Borrower shall include a statement in all advertisements, notices and signs for the availability of Assisted Units for rent to the effect that Borrower is an Equal Housing Opportunity Provider. Borrower shall comply with all applicable local, state, and federal laws concerning discrimination and equal opportunity in housing.

5.4 RECORDS AND REPORTS. Borrower shall be accountable to Lender for all County Land Loan funds disbursed to Borrower pursuant to the County Land Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures for construction, and to keep all invoices, receipts, and other documents related to expenditures for construction costs for the Project until five (5) years after the term of the County Land Loan Regulatory Agreement.

Commencing on the first day of April following recordation of a notice of completion issued for the Project, Borrower shall submit reports annually to Lender with information regarding tenant income, rent and inspection information for all Assisted Units. Such information and all records related to any revenue received relating to, arising out of, or in connection with the Project must be kept until five years after the term of the Regulatory Agreement. Records must be kept accurate and current.

Borrower shall promptly comply with all requirements and conditions of this County Land Loan Agreement 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 or the County Land Loan and cooperate with Lender in the development of the Project.

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

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

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

5.5 AUDITS. Borrower shall conduct annual audits and submit to Lender an Annual Financial Statement. Borrower shall make available to Lender for examination at reasonable intervals and during normal business hours all books, accounts, reports, files, and other papers or property with respect to all matters covered by this County Land Loan Agreement, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may audit any transaction, record, or document relating to the County Land Loan at any time during and up to 5 years after the conclusion of the County Land Loan Regulatory Agreement.

Lender shall notify Borrower of any records it deems insufficient. Borrower shall immediately begin to correct any deficiency in the records specified by Lender in said notice as soon as reasonably possible. Borrower shall have fifteen (15) calendar days from the date of said notice to correct any deficiency. If more than fifteen (15) days shall be reasonably necessary to correct the deficiency, Borrower shall submit a written request to Lender for an extension. Lender shall respond to an extension request within fifteen (15) days.

5.6 ENCUMBRANCE OF PROPERTY. 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 otherwise, or allow any encumbrance or lien to be made on or attached to the Property, except with the prior written consent of Lender, and shall be made only if duly executed by an authorized representative 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 shall immediately notify Lender in writing of any encumbrance or lien that has been created on or attached to the Property, whether by voluntary act of or on behalf of Borrower or otherwise

5.7 TRANSFER OF PROPERTY. Borrower warrants and represents that it has not made, permitted, allowed, acquiesced in or created, and Borrower shall not, make, permit, acquiesce in or create, any sale, assignment, conveyance, lease (other than the leasing of Assisted Units in the Project pursuant to an approved lease), or other transfer, in whole or in part, directly or indirectly, by operation of law or otherwise, of the Property, or any interest therein, without the prior written consent of Lender in each instance duly executed by an authorized representative of Lender. Borrower shall obtain the prior written consent of Lender duly executed by an authorized representative of Lender prior to and as a condition of assigning the County Land Loan or any of Borrower's obligations or interests hereunder

5.8 TRANSFER OF PARTNERSHIP INTEREST. Borrower warrants and represents that it has not made, permitted, allowed, acquiesced in or created, and Borrower shall not make, permit, acquiesce in or create any sale, assignment, conveyance, or other transfer of any general partnership interests without the prior written consent of Lender. Notwithstanding the foregoing, if the general partner of Borrower fails to perform any of its obligations, duties or covenants under any County Land Loan Documents or a default by Borrower's general partner occurs pursuant to the terms of the agreement of limited partnership, the Borrower shall be entitled to remove Borrower's general partner and substitute a new general partner in accordance with Borrower's Third Amended and Restated Agreement of Limited Partnership. Such removal and substitution shall not constitute a default under the County Land Loan Documents or cause the acceleration of the County Land Loan or entitle Lender to exercise its other remedies under the County Land Loan Documents. Lender's approval of the installation of the substitute general partner shall not be unreasonably withheld or delayed. Notwithstanding anything to the contrary contained herein, a transfer of a limited partner interest in Borrower, and of interests in such limited partner as defined in the agreement of limited partnership shall not be deemed a transfer under this County Land Loan Agreement.

5.9 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.

5.10 DAMAGE TO PROPERTY. If the Property or any building or other improvement on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its sole cost and expense, diligently undertake to repair or restore said buildings and improvements, unless Lender reasonably determines that such restoration or repair is not 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 (1) year thereafter, subject to any extensions of time granted by Lender. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Borrower shall make up the deficiency.

If Lender determines that restoration or repair is not economically feasible, then Lender may declare an Event of Default, such that the unpaid principal and all accrued and unpaid interest on the County Land Loan shall then be immediately due and payable, and Borrower shall apply all insurance proceeds thereto.

5.11 EQUAL EMPLOYMENT OPPORTUNITY. Borrower and all contractors, subcontractors, and professional service providers performing services on the Property or otherwise in connection with the Project shall comply with all Federal, state and local requirements concerning equal employment opportunity, including, but not limited to, equal opportunities for

businesses and lower-income persons (referred to as a Section 3 clause, of the Housing and Urban Development Act of 1968, 12 U.S.C.).

ARTICLE 6. INDEMNITY AND INSURANCE

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

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

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

ARTICLE 7. HAZARDOUS MATERIALS

7.1 **REPRESENTATIONS AND WARRANTIES.** After reasonable investigation and inquiry, Borrower hereby represents and warrants, as of the date of this County Land 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 facility" or as a "buffer zone" under California Health and Safety Code Sections 25100, et seq.

7.2 **NOTIFICATION TO LENDER.** Borrower shall promptly notify Lender in writing of any of the following: (a) the discovery of any concentration or amount of Hazardous Materials of which Borrower becomes aware or of which Borrower has direct or constructive knowledge on, under, or near the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge, whether direct or constructive, by Borrower that the Property does not comply with any Hazardous Materials Laws; (c) the receipt by Borrower of notice of any claims or actions pending or threatened with respect to the Property relating to Hazardous Materials Laws by any governmental entity, agency, corporation or person; or (d) the discovery by Borrower of any occurrence or condition on the Property or on any real property located within 2,000 feet of the Property that could cause the Property or any part thereof to be designated as a "hazardous waste property" or as a "buffer zone" under California Health and Safety Code Sections 25100, et seq., or regulations adopted in connection therewith.

7.3 USE AND OPERATION OF PROPERTY. Borrower and Borrower's agents, employees, contractors, subcontractors, tenants, guests, and permittees shall not 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 and use thereof to comply with all Hazardous Materials Laws.

7.4 REMEDIAL ACTIONS. If at any time Borrower has actual or constructive knowledge of the presence of any Hazardous Materials on, under, or near the Property, Borrower shall promptly undertake, at no cost or expense to Lender and without any liability on the part of or attributable to Lender, all handling, treatment, removal, storage, decontamination, cleanup, transport, disposal and other remedial actions, 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 claims or actions related to Hazardous Materials Laws. 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 all funds and other forms of assurance and security Lender in good faith from time to time determines appropriate to protect Lender from liability and other consequences of such 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 this Section 7.5, provided that Borrower does so in full compliance herewith and with the other Loan Documents and all applicable laws.

7.6 ENVIRONMENTAL INDEMNITY. Without limiting or otherwise affecting the indemnity and insurance provisions set forth in Article 6, above, and in Exhibit E, Borrower shall defend, indemnify, and hold Lender free and harmless against any and all claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including, but not limited to, all costs of legal proceedings and reasonable attorney's fees, that Lender may directly or indirectly incur, sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this County Land Loan Agreement with respect to Hazardous Materials, or as a consequence of any use, generation, manufacture, storage, release, or disposal (whether or not Borrower knew of same) of any Hazardous Materials occurring prior to or during Borrower's use or occupancy of the Property.

ARTICLE 8. DEFAULT AND REMEDIES

8.1 EVENTS OF DEFAULT. The occurrence of any of the following events shall constitute an "Event of Default" under this County Land Loan Agreement. Borrower shall provide immediate written notice to Lender of any occurrence or potential occurrence of any of the following events:

A. Monetary. (1) Borrower's failure to pay when due any sums payable under the County Land Loan Agreement and Note or any advances made by Lender under the Deed of Trust or this County Land Loan Agreement; (2) Borrower's use of County Land Loan funds for costs

other than acquisition of the Property or for uses inconsistent with any term or restriction in the County Land Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this County Land Loan Agreement; (4) Borrower's failure to make any other payment due under the County Land Loan Documents; (5) Borrower's failure to pay taxes; (6) Borrower's default, after applicable notice and cure periods have expired, under any other agreement related to, in connection with, or arising out of debt secured by the Property;

B. Operation. (1) Discrimination by Borrower on the basis of characteristics prohibited by this County Land Loan Agreement or applicable law, or (2) the imposition of any encumbrances or liens on the Property without Lender's prior written approval, or (3) any invalidation or reduction of the priority of the Deed of Trust or County Land Loan Regulatory Agreement arising out of any act or omission by or on behalf of Borrower;

C. General performance of County Land Loan Documents obligations. Any breach by Borrower beyond applicable notice and cure periods, if any, of any of Borrower's obligations under any of the County Land Loan Documents;

D. General performance of other obligations. Any breach by Borrower beyond applicable notice and cure periods, if any, of any obligations on Borrower imposed by any other agreements, including any grant agreements, with respect to the financing, rehabilitation, or operation of the Project or the Property, whether or not Lender is a party to such agreement, which may impair Lender's security under the Deed of Trust;

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

F. Damage to or failure to maintain Property. Material damage or destruction to the Property by fire or other casualty, if Borrower does not take steps to reconstruct the Project as required by the County Land Loan Documents, or if Borrower fails to maintain the Property;

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

F. Construction. (1) use of defective or unauthorized materials or defective workmanship in constructing the Project; (2) Borrower's failure to commence or timely complete construction in accordance with this County Land Loan Agreement; (3) the cessation of construction prior to completion of the Project for a period of more than thirty (30) consecutive

calendar days without prior written approval from Lender; (4) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (5) Borrower's failure to substantially comply with any Applicable Laws or Lender policies pertaining to construction, including, but not limited to, provisions of this County Land Loan Agreement pertaining to affirmative action and equal employment opportunity, minority and women-owned business enterprises, disabled access, lead-based paint, Hazardous Materials, and provision or relocation benefits and assistance.

8.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE.

A. In the event of an Event of Default, Lender shall give written notice to Borrower of such Event of Default (each, a "Default Notice") which specifies:

- i. the nature of the event or deficiency giving rise to the Event of Default,
- ii. whether, in Lender's sole discretion, such Event of Default is subject to cure, and
- iii. if the Default Notice indicates that such Event of Default is subject to cure, the action(s) required to cure such Event of Default, and the date(s) by which such action(s) to cure, as specified therein, must be completed.

The Lender has the sole discretion to determine the reasonable time needed to cure. Notwithstanding anything to the contrary contained herein, a cure by the limited partner of Borrower shall be accepted as if cured by Borrower itself.

B. Time to Cure Monetary and Non-Monetary Default. In the event of a monetary or non-monetary Event of Default Borrower shall have a period of thirty (30) days after such Default Notice within which to cure such monetary Event of Default prior to exercise of remedies by the Lender hereunder, or such longer period of time as may be specified in the Default Notice.

C. Notwithstanding anything to the contrary contained in the Loan Agreement, Lender hereby agrees that any cure of any default made or tendered by Borrower's limited partner 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. Copies of all notices which are sent to Borrower under the terms of this Loan Agreement shall also be sent to Borrower's limited partner at an address designated by Borrower's limited partner.

8.3 LENDER'S REMEDIES. Upon the occurrence of an Event of Default and, if applicable, a failure to cure said Event of Default in accordance with the applicable Default Notice, Lender may, in addition to other rights and remedies permitted by the County Land Loan Documents or applicable law, proceed with any or all of the following remedies in any order or combination Lender may choose in Lender's sole discretion:

A. Terminate this County Land Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the County Land Loan Agreement and Note, as well as any other monies advanced to Borrower by Lender under the County Land Loan

Documents, including, but not limited to, administrative costs, shall immediately become due and payable at the option of Lender;

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

C. Accelerate the County Land Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the County Land Loan Agreement and Note, as well as any other monies advanced to Borrower by Lender under the County Land Loan Documents, plus associated amounts due, such as relocation benefits described in Section 4.13, above;

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

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

G. With respect to defaults under Hazardous Materials provisions herein, pursue the rights and remedies permitted under applicable law, including, but not limited to California Civil Code Section 2929.5, and California Code of Civil Procedure Sections 564, 726.5, and 736;

H. Order immediate stoppage of construction work and demand that any condition resulting in an Event of Default be corrected before construction work may continue;

I. Enter upon, take possession of, and manage the Property, either in person, via 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 County Land Loan and/or any advances made under the County Land Loan Documents, as provided for by the County Land Loan Deed of Trust; or

J. 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 non-judicial foreclosure under the power of sale contained in the Deed of Trust in the Event of Default by Borrower.

ARTICLE 9. GENERAL PROVISIONS

9.1 BORROWER'S WARRANTIES. Borrower represents and warrants: (1) that it is duly organized, validly existing and in good standing under the laws of the State of California, (2) that it has the full power and authority to carry out the Project and to execute this County Land Loan Agreement, (3) that the persons executing and delivering this County Land Loan Agreement are authorized to execute and deliver this County Land Loan Agreement and all such other reasonable or necessary documents on behalf of Borrower, (4) that there has been no substantial adverse change in Borrower's financial condition including, but not limited to, judgment liens, tax liens, mechanic's liens, or bankruptcy, (5) that Borrower has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of each of the County Land Loan Documents and to otherwise carry out the Project in a good and workmanlike and professional manner, and (5) that all representations of Borrower regarding this County Land Loan (including all supplementary submissions of documents) are true, correct and complete in all respects and are offered to induce Lender to make this County Land Loan.

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

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, partner, representative, or independent contractor of Borrower, or any immediate family member of such person, or any person related within the third (3rd) degree of such person. No employee, agent, consultant, officer, partner, representative, or independent contractor of Borrower, or any immediate family member of such person, or any person related within the third (3rd) degree of such person, is an elected or appointed official of the County.

9.4 POLITICAL ACTIVITY. None of the funds, materials, property or services contributed by Lender or Borrower under this County Land Loan Agreement shall be used for any

partisan political activity or the election or defeat of any candidate for public office or of any measures or initiatives.

9.5 PUBLICITY. Any publicity produced by Borrower for the Project during the term of this County Land Loan Agreement and for one (1) year thereafter shall make reference to the contribution of Lender in making the Project possible. The words "County of Santa Barbara" will be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews, and newspaper articles. Borrower further agrees to cooperate with authorized staff and officials of Lender in any Lender-generated publicity or promotional activities undertaken with respect to the Project.

9.6 TERM OF THIS AGREEMENT. This County Land Loan Agreement shall commence effective as of the first date duly executed by all of the parties hereto, and shall remain in full force and effect throughout the Term.

9.7 GOVERNING LAW. This County Land Loan 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 or those provisions preempted by federal law.

9.8 STATUTORY REFERENCES. All references in this County Land Loan 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 this County Land Loan Agreement.

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

9.11 NOTICES, DEMANDS AND COMMUNICATIONS. All 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 406
Santa Barbara, CA 93101-2065
Attn: Deputy Director

With a copy to: Office of the County Counsel
105 E Anapamu Street, Room 201
Santa Barbara, CA 93101-2065

BORROWER: Hollister Lofts, L.P.
815 West Ocean Avenue
Lompoc, CA 93436
Attn: Executive Director

With a copy to: Price, Postel & Parma LLP
Attn: Mark S. Manion
200 East Carrillo Street, Fourth Floor
Santa Barbara, CA 93101

With copy to: Wincopin Circle LLLP
c/o Enterprise Community Asset Management, Inc.
11000 Broken Land Parkway, Suite 700
Columbia, MD 21044
Attention: Chief Legal Officer

With a copy to: Holland & Knight LLP
10 St. James Avenue, 12th Floor
Boston, MA 02116
Attention: Dayna M. Hutchins, Esq.

9.12 BINDING UPON SUCCESSORS. All provisions of this County Land Loan Agreement shall be binding upon the successors-in-interest, transferees, and assigns of each of the parties hereto; provided, however, that the benefits hereof shall only inure to the permitted successors-in-interest, transferees, and assigns of Borrower to the extent in accordance with Section 9.14, below.

9.13 RELATIONSHIP OF PARTIES. The relationship of Borrower and Lender under this County Land 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, the County Land Loan, or the County Land Loan Documents.

9.14 ASSIGNMENT AND ASSUMPTION. Borrower shall not assign or otherwise transfer, in whole or in part, directly or indirectly, whether by operation of law or otherwise (“Transfer”), this County Land Loan Agreement, or any of the other County Land Loan Documents, or any of its interests herein or therein, or any of its rights or obligations hereunder or thereunder, , except to the extent specifically permitted hereunder, without the prior written consent of Lender in each instance, which must be duly executed by an authorized representative of Lender. Any purported Transfer in violation of this Section 9.14 shall be void *ab initio* and shall constitute an Event of Default and a breach of this County Land Loan Agreement.

9.15 WAIVER. Any waiver by Lender of any Borrower obligation or Lender right or remedy in this County Land Loan Agreement or any waiver by Lender of any term of the County

Land Loan Documents must be in writing, and shall be made only if duly executed by an authorized representative of Lender. 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 this County Land Loan Agreement, the County Land Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under this County Land Loan Agreement shall not operate as a waiver or release from any of its obligations under this County Land Loan Agreement or any term of the County Land Loan Documents. Consent by Lender to any act or omission by Borrower shall not be construed as a waiver to any other or subsequent act or omission or to waive the requirement for Lender's written consent to future waivers.

9.16 INTEGRATION. This County Land Loan Agreement and the other County Land Loan Documents contain the entire agreement of the parties hereto and thereto with respect to the subject matter hereof and thereof, and supersede any and all prior negotiations and agreements with respect to the subject matter hereof and thereof.

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

9.18 AMENDMENTS AND MODIFICATIONS. No changes, modifications, or amendments to this County Land Loan Agreement shall be effective unless set forth in a written amendment to this County Land Loan Agreement executed by a duly authorized representative of each party hereto. Borrower agrees to not unreasonably withhold its approval of any amendments proposed by Lender that are necessary in order to conform with Applicable Laws.

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

9.20 COUNTERPARTS. This County Land Loan Agreement may be executed electronically and in any number of counterparts, each of which is an original and all of which taken together form one single document.

Remainder of Page Left Intentionally Blank

IN WITNESS WHEREOF, Lender and Borrower have caused this County Land Loan Agreement to be executed by their respective duly authorized representatives, as set forth below, effective as of the first date duly executed by all of the parties hereto ("Effective Date").

"LENDER"
COUNTY OF SANTA BARBARA
a political subdivision of the State of California

ATTEST:
MONA MIYASATO
CLERK OF THE BOARD

By: _____
Laura Capps, Chair
Board of Supervisors

By: _____
Sheila De La Guerra
Deputy Clerk

Date: _____

APPROVED AS TO FORM:
RACHEL VAN MULLEN
COUNTY COUNSEL

APPROVED AS TO ACCOUNTING FORM:
BETSY M. SCHAFER, CPA
AUDITOR-CONTROLLER

By: _____
Deputy County Counsel

By: _____
Deputy Auditor-Controller

APPROVED AS TO FORM:
CEO/RISK MANAGEMENT

By: _____
Greg Milligan
Risk Manager

BORROWER SIGNATURES ON FOLLOWING PAGE

“BORROWER”

HOLLISTER LOFTS, L.P., a California limited Partnership

By: Surf Development Company, a California nonprofit public benefit corporation, its managing general partner

By: _____
Robert P. Havlicek Jr
Chief Executive Officer

Date: _____

By: Housing Authority of the County of Santa Barbara,
a public body, corporate and politic,
its administrative general partner

By: _____
Robert P. Havlicek Jr
Executive Director

Date: _____

EXHIBIT A - LEGAL DESCRIPTION OF THE PROPERTY

That certain real property situated in the County of Santa Barbara, State of California, described as follows:

That portion of Lot 7 of the Outside Pueblo Lands and of the City of Santa Barbara, in the County of Santa Barbara, State of California, as shown on W.H. Norway's Map No. 2 recorded in Book 5, Page 75 of Maps and Surveys, in the Office of the County Recorder of said County more particularly described as follows;

Commencing at the centerline intersection of San Antonio Road and Hollister Avenue, said point shown as a "Fd. P.K. Nail & Tag "S.B. Co. Road Comm." Dn. 3'" on a Record of Survey filed in Book 140, Page 12 of Records of Survey in the office of the County Recorder; thence along said centerline of Hollister Avenue North 78°50'12" East 240.16 feet; thence perpendicular to said centerline of Hollister Avenue North 11°09'48" West 49.31 feet to the True Point of Beginning

Thence 1st continuing North 11°09'48" West 30.69 feet to an angle point;

Thence 2nd North 47°16'49" East 123.03 feet to an angle point;

Thence 3rd North 67°31'36" East 124.97 feet to an angle point;

Thence 4th North 78°50'12" East 115.11 feet to a point on the Westerly line of a 10' wide Easement to the Goleta Sanitary District recorded August 3, 2004, as Instrument No. 2004-80913 of Official Records of said County and an angle point;

Thence 5th along said Westerly line of said 10' wide Easement to the Goleta Sanitary District, South 12°16'01" East 122.10 feet to an angle point;

Thence 6th South 78°49'31" West 100.28 feet to an angle point;

Thence 7th South 81°53'45" West 88.57 feet to an angle point;

Thence 8th South 78°01'20" West 156.15 feet to the True Point of Beginning.

~ End of Description ~

EXHIBIT B - Deed of Trust

[See Attached]

EXHIBIT C - PROMISSORY NOTE

[See Attached]

EXHIBIT D – Regulatory Agreement

[See Attached]

EXHIBIT E

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

I. INDEMNITY

Borrower hereby agrees to indemnify, defend (with counsel reasonably approved by County) and hold harmless County and its officers, officials, employees, agents and volunteers from and against any and all claims, actions, losses, damages, judgments and/or liabilities arising out of this Agreement from any cause whatsoever, including the acts, errors or omissions of any person or entity and for any costs or expenses (including but not limited to attorneys' fees) incurred by County on account of any claim except where such indemnification is caused by the sole negligence of the County.

II. INSURANCE

Borrower hereby covenants and agrees to provide the insurance coverage with limits as specified below. Borrower shall procure and maintain for the duration of this Agreement insurance against claims for injuries to persons or damages to property which may arise from or in connection with the County Home Loan Agreement as follows:

1. Commercial General Liability (CGL): Insurance Services Office (ISO) Form CG 00 01 covering CGL on an "occurrence" basis, including products-completed operations, personal & advertising injury, with limits no less than \$2,000,000 per occurrence and \$4,000,000 in the aggregate.
2. Automobile Liability: Insurance Services Office Form CA 0001 covering Code 1 (any auto), with limits no less than \$2,000,000 per accident for bodily injury and property damage.
3. Workers' Compensation: Insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease.
4. Pollution Legal Liability and/or Asbestos Legal Liability: (if project involves environmental hazards) with limits no less than \$1,000,000 per occurrence or claim, and \$2,000,000 policy aggregate.

If the Borrower maintains higher limits than the minimums shown above, the COUNTY requires and shall be entitled to coverage for the higher limits maintained by the Borrower. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the COUNTY.

5. Builders Risk Insurance: Borrower shall obtain a Builders Risk Policy that provides 100% Replacement Cost. Coverage is to be effective upon the date of the Notice to Proceed, the date of site mobilization or the start of any shipment of materials, machinery or equipment to the site, whichever is earlier, and to remain in effect until replaced by permanent All Risk Property Insurance. The

policy must include a Loss Payable Endorsement, including mortgage clause (CP 12 18 or similar) in favor of the County. The policy must not contain a coinsurance clause or self-insured retention. The policy must provide coverage for vandalism and Malicious Mischief Coverage.

6. All Risk Property Insurance: Borrower shall obtain and maintain in full force during the entire time of its ownership of the property described in this Agreement an All Risk Property Insurance policy that provides 100% Replacement Cost. The policy must contain a Lender's Loss Payable Endorsement, including mortgage clause (CP 12 18 or similar) in favor of the County. The policy may not contain a coinsurance clause or self-insured retention. Earthquake and fire coverage must be included.

7. Flood Insurance: If the property is deemed to be in an area identified by FEMA as a "special Flood Hazard area," Borrower must obtain flood insurance coverage with limits of at least the \$2,000,000 County is lending to Borrower.

B. Other Insurance Provisions

The insurance policies are to contain, or be endorsed to contain, the following provisions:

1. Additional Insured – County, its officers, officials, employees, agents and volunteers are to be covered as additional insureds on the CGL policy with respect to liability arising out of work or operations performed by or on behalf of the Borrower including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Borrower's insurance at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10, CG 20 26, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used).

2. Primary Coverage – For any claims related to this Agreement, the Borrower's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects the County, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by the County, its officers, officials, employees, agents or volunteers shall be excess of the Borrower's insurance and shall not contribute with it.

3. Notice of Cancellation – Each insurance policy required above shall provide that coverage shall not be canceled, except with notice to the County.

4. Waiver of Subrogation Rights – Borrower hereby agrees to waive rights of subrogation which any insurer of Borrower may acquire from Borrower by virtue of the payment of any loss. Borrower agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation. The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the County for all work performed by the Borrower, its employees, agents and subcontractors. This provision applies regardless of whether or not the County has received a waiver of subrogation endorsement from the insurer.

5. Deductibles and Self-Insured Retention – Any deductibles or self-insured retentions must be declared to and approved by the County. At the option of the County, either: the Borrower shall cause the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the County, its officers, officials, employees, agents and volunteers; or the Borrower shall provide a financial guarantee satisfactory to the County guaranteeing payment of losses and related investigations, claim administration, and defense expenses.

6. Acceptability of Insurers – Unless otherwise approved by Risk Management, insurance shall be written by insurers authorized to do business in the State of California and with a minimum A.M. Best's Insurance Guide rating of "A- VII".

7. Verification of Coverage – Borrower shall furnish the County with proof of insurance, original certificates and amendatory endorsements as required by this Agreement. The proof of insurance, certificates and endorsements are to be received and approved by the County before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the Borrower's obligation to provide them. The Borrower shall furnish evidence of renewal of coverage throughout the term of the Agreement. The County reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

8. Failure to Procure Coverage – In the event that any policy of insurance required under this Agreement does not comply with the requirements, is not procured, or is canceled and not replaced, County has the right but not the obligation or duty to terminate the Agreement. Maintenance of required insurance coverage is a material element of the Agreement and failure to maintain or renew such coverage or to provide evidence of renewal may be treated by County as a material breach of contract.

9. Subcontractors – Borrower shall require and verify that all contractors maintain insurance meeting all the requirements stated herein, and Borrower shall ensure that County is an additional insured on insurance required from contractors. For CGL coverage contractors shall provide coverage with a format least as broad as CG 20 38 04 13.

10. Claims Made Policies – If any of the required policies provide coverage on a claims-made basis:

- i. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
- ii. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of contract work.
- iii. If coverage is canceled or non-renewed, and not replaced with another claims-made policy form with a Retroactive Date prior to the

contract effective date, the Borrower must purchase “extended reporting” coverage for a minimum of five (5) years after completion of contract work.

11. Special Risks or Circumstances – County reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other circumstances.

Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. Borrower agrees to execute any such amendment within thirty (30) days of receipt.

Any failure, actual or alleged, on the part of County to monitor or enforce compliance with any of the insurance and indemnification requirements will not be deemed as a waiver of any rights on the part of County.