

**COMMUNITY CORRECTIONS
PARTNERSHIP (CCP),
LOAN AGREEMENT
(\$1,500,000)**

Between

County of Santa Barbara

and

Sanctuary Centers of Santa Barbara, Inc.

**Hollister II Housing Development Project
115 West Anapamu Street, Santa Barbara, Ca.**



**State of California, Public Safety Realignment Act of 2011,
California State Assembly Bill, AB109
Santa Barbara County Community Corrections Partnership**

**SANTA BARBARA COUNTY
COMMUNITY CORRECTIONS PARTNERSHIP (CCP)
LOAN AGREEMENT
(HOLLISTER II)**

This agreement (“County CCP Loan Agreement”) is made as of this 13th day of December, 2022 (“Effective Date”), by and between the County of Santa Barbara, political subdivision of the State of California (“Lender”), and Sanctuary Centers of Santa Barbara, Inc., a California non-profit public benefit corporation (“Borrower”).

RECITALS

A. Lender wishes to promote the development of permanent housing and supportive services for homeless individuals in Santa Barbara County communities.

B. There is a need for permanent housing with supportive services for homeless individuals and families within Santa Barbara County, as documented in the County’s 2020-2024 Consolidated Plan.

C. Borrower intends to construct a thirty-four (34) unit residential building and provide sixteen (16), studio apartment rental units for CCP-eligible clients (the “Project”), on the property located at 115 West Anapamu Street, Santa Barbara, California (the “Property”) as more particularly described in Exhibit A, attached hereto and incorporated herein by reference (“Legal Description”). The Property is currently owned by Borrower, who intends to use the Project to provide permanent housing for formerly homeless individuals with a history of engagement in the corrections system.

D. Lender has been awarded Community Corrections Partnership Act Funds (“CCP Funds”) from the State of California pursuant AB 109, which expanded the role of the Santa Barbara County Community Partnership.

E. Borrower wishes to borrow from Lender, and Lender wishes to extend to Borrower, a loan of CCP funds in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) to complete the Project (“County CCP Loan”) in accordance with the Budget set forth in Exhibit B, attached hereto and incorporated herein by reference. The terms of the County CCP Loan are set out in this County CCP Loan Agreement.

F. The Lender and Borrower reasonably expect that Borrower’s construction of the Project will commence within six (6) months of the Effective Date of this County CCP Loan Agreement.

G. Concurrently herewith, Borrower will execute a document titled County CCP Loan Regulatory Agreement and Declaration of Restrictive Covenants (“County CCP Loan Regulatory Agreement”) restricting rents and tenant income with respect to sixteen (16) studio apartment units that will be designated by Borrower as the “CCP-Assisted Units”.

H. The County CCP Loan will be evidenced by a County CCP Loan Promissory Note in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) executed by Borrower in favor of Lender, and the County CCP Loan evidenced by the County CCP Loan Promissory Note will be secured by a County CCP Loan Deed of Trust (defined below).

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

ARTICLE 1 DEFINITIONS

The following capitalized terms have the meanings set forth in this Article 1 wherever such terms are used in this County CCP Loan Agreement, Exhibits attached hereto, or documents incorporated into this County CCP Loan Agreement by reference.

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

1.2 **“AREA MEDIAN INCOME”** means the area median income for the Santa Barbara/Santa Maria/Lompoc Primary Metropolitan Statistical Area as determined annually by HUD (defined below).

1.3 **“BORROWER”** means the Sanctuary Centers, and its authorized representatives, officers, officials, directors, employees, and agents.

1.4 **“BUDGET”** means that budget for the construction of the Project attached hereto as Exhibit B, which is hereby incorporated into this County CCP Loan Agreement by this reference, and which identifies the sources and uses of Project costs, and specifies the costs to be paid with County CCP Loan proceeds in conformance with 24 CFR 576, 24 CFR 578.47, and State of California Health & Safety Code Chapter 5 of Part 1 of Division 31, and all relevant provisions of SB 850 (Chapter 48, Statutes of 2018).

1.5 **“COORDINATED ENTRY SYSTEM (CES)”** means a HUD-mandated community-wide system that connects the community's network of homeless services and housing resources to standardize and expedite the process by which people experiencing homelessness, or who are at risk of homelessness, receive access to housing and homeless resources.

1.6 **“COUNTY CCP LOAN”** means the loan of CCP Funds in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) as provided by Lender to Borrower in this County CCP Loan Agreement and evidenced by the County CCP Loan Note (defined below) for the purpose of financing the costs of the Project.

1.7 **“COUNTY CCP LOAN AGREEMENT”** means this loan agreement entered into by and between Lender and Borrower, as defined in the first paragraph of this agreement, above.

1.8 **“COUNTY CCP LOAN DEED OF TRUST”** means that certain Deed of Trust, Assignment of Rents, and Aecurity Agreement recorded gainst the Property and the improvements to be constructed thereon as security for the County CCP Loan by Borrower as trustor with Lender as beneficiary, which is attached hereto as Exhibit C and hereby incorporated into this County CCP Loan Agreement by this reference. The term “County CCP Loan Deed of Trust” shall include all duly executed amendments to and restatements of said County CCP Loan Deed of Trust which may be entered into from time to time by the Parties during the Term.

1.9 **“COUNTY CCP LOAN DOCUMENTS”** means, collectively, the County CCP Loan Agreement, the County CCP Loan Note, the County CCP Loan Deed of Trust, and the County CCP Loan Regulatory Agreement, as they may be duly amended or restated from time to time by the Parties in

accordance with the provisions hereof and thereof, along with all exhibits and attachments hereto and thereto.

1.10 **“COUNTY CCP LOAN NOTE”** means the promissory note executed by the Borrower in favor of Lender concurrently herewith in the original principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000), to evidence the County CCP Loan, substantially in the form attached hereto as Exhibit D, which is attached hereto and hereby incorporated into this County CCP Loan Agreement by this reference. “County CCP Loan Note” shall include any amendments to or restatements of the County CCP Loan Note as may be duly executed by the Parties hereto from time to time during the Term.

1.11 **“COUNTY CCP LOAN REGULATORY AGREEMENT”** means the agreement executed by Borrower and Lender on or about the Effective Date, attached hereto as Exhibit E and incorporated herein by this reference, and recorded against the Property, which regulates the use of the sixteen (16) CCP-Assisted Units (defined below) in the Project.

1.12 **“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.

1.13 **“CCP AFFORDABILITY PERIOD”** means the thirty (30) year term of the County CCP Loan Regulatory Agreement, during which the CCP-Assisted Units must meet the affordability requirements that are described in Article V, below, and in the County CCP Loan Regulatory Agreement. Such 30-year period commences upon the issuance of a final Certificate of Occupancy by the City of Santa Barbara for the Project in conformance with this County CCP Loan Agreement.

1.14 **“CCP-ASSISTED UNITS”** means the sixteen (16) studio apartment rental units located at the Property designated by Borrower as the CCP-Assisted Units and subject to the affordability restrictions and other requirements set forth in the County CCP Loan Regulatory Agreement (Exhibit E), which is attached hereto and incorporated into this County CCP Loan Agreement by this reference.

1.15 **“CCP FUNDS”** means funds provided to Borrower by Lender in the form of the County CCP Loan pursuant to the terms of this County CCP Loan Agreement and evidenced by the County CCP Loan Note.

1.16 **“HOMELESS”** means Homeless in accordance with 24 CFR 578.3.

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

1.18 **“STANDARD INDEMNIFICATION AND INSURANCE REQUIREMENTS”** means the indemnification and insurance requirements with which Borrower must comply during the Term of this County CCP Loan Agreement, as specified in Exhibit F, attached hereto and incorporated into this County CCP Loan Agreement by this reference.

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

1.20 **“OPERATING EXPENSES”** means, actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including but

not limited to painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments if any, cash deposited into reserves for operating expenses with respect to the Project, not to exceed an amount equal to three (3) months operating expenses, capital replacements with respect to the Project in an amount not to exceed Twenty-One Thousand Dollars (\$21,000) annually, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, and fees and expenses of accountants, attorneys, consultants and other professionals. The Operating Expenses shall be reported in the Annual Financial Statement.

1.21 **“PROJECT”** means the acquisition, construction, and operation and management of the Project on the Property in accordance with the terms and conditions of the County CCP Loan Documents.

1.22 **“PROPERTY”** means the Property located at 115 West Anapamu Street, in the City of Santa Barbara, California, Assessor’s Parcel Number 039-222-002, and as more particularly described in Exhibit A, which is attached hereto and incorporated into this County CCP Loan Agreement by this reference.

1.23 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as Homeless or At Risk in accordance with 24 CFR 578.3, and which household has been referred by the Santa Barbara County Probation Department.

1.24 **“QUALIFYING RENT”** means the total monthly charges for rent for a CCP-Assisted Unit, including utilities costs, which aggregate monthly charges shall not exceed thirty percent (30%) of the gross annual income of the Qualifying Household occupying such Unit. If the tenant of such Unit directly pays for utilities and services (excluding telephone and cable TV), then the Qualifying Rent shall be reduced by the maximum monthly allowance for utilities and services using the annual HUD Utility Schedule Model, or other annual utility schedule as determined by the County.

1.25 **“REVENUE”** means all income derived from the Project, including, but not limited to, rents from the Units and income from laundry operations, vending machines, meeting space rental, storage, and parking. Revenue shall be reported in the Annual Financial Statement.

1.26 **“SENIOR LOANS”** means (i) that certain construction loan from First Republic Bank, in an amount not to exceed \$8,900,000 which will convert to a permanent loan upon completion of Project construction and issuance of Certificates of Occupancy in an amount not to exceed Four Million, Five hundred thousand, forty-nine thousand, Three hundred Dollars (\$4,549,300), (ii) a State of California, Division of Housing and Community Development, No Place Like Home (NPLH), financing in the amount of Four Million Three Hundred Fifty Thousand Seven Hundred Dollars (\$4,350,700), (iii) a State of California Health and Human Services Agency, Department of Health Care, Behavioral Health Continuum Infrastructure Program (BHCIP), funding in the amount of Two Million Nine Hundred Fourteen Thousand Two Hundred and Twenty-Four Dollars (\$2,914,224), and (iv) a State of California Department of Social Services Community Care Expansion Grant in the amount of Seven Million Dollars (\$7,000,000), and including, and any other financing to be made to Borrower in accordance with Section 9.22 of this Agreement, which financing shall be senior in priority to the County CCP Loan.

1.26 **“TERM”** means the period of time that this CCP Loan Agreement will be in effect as described in Sections 2.5 and 9.6, below.

1.27 **“UNIT” OR “UNITS”** means one or more, respectively, of the thirty-four (34) Project rental units.

ARTICLE 2 TERMS OF THE COUNTY CCP LOAN

2.1 **COUNTY CCP LOAN.** On and subject to the terms and conditions of the County CCP Loan Documents, Lender agrees to make, and Borrower agrees to accept, a loan with the terms and conditions set forth herein (“CCP Loan”).

2.2 **AMOUNT.** The principal amount of the County CCP Loan shall be an amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000) (“Maximum Loan Amount”), and shall be evidenced by the County CCP Loan Note. In the event Lender is unable to secure CCP Funds for this County CCP Loan Agreement for any reason at any time during the course of construction, Lender shall not be obligated to make payments to Borrower unless and until CCP Funds become available to Lender, and Borrower shall hold Lender harmless.

2.3 **NO INTEREST LOAN.** The County CCP Loan Note shall not bear interest.

2.4 This paragraph is left intentionally blank.

2.5 **TERM OF COUNTY CCP LOAN.** The unpaid principal amount of the County CCP Loan shall be due and payable on the earlier of: (a) thirty (30) years after the date of Project completion as evidenced by a Final Certificate of Occupancy issued by the City of Santa Barbara, or (b) the date the Property is sold or otherwise transferred, or (c) the date that is six (6) months after the Effective Date if Borrower has at that time failed to commence construction of the Project as set forth in Section 4.1 of this County CCP Loan Agreement, or (d) the date of an Event of Default by Borrower, as defined in Section 8.1, below, and which has not been cured as provided for in Section 8.2, below. In the event of an Event of Default by Borrower, as defined in Section 8.1, below, and which has not been cured as provided for in Section 8.2, below, the unpaid principal amount of the County CCP Loan shall be due and payable in accordance with Section 8.3, below. The foregoing notwithstanding, if Borrower remains compliant with the terms of the County CCP Regulatory Agreement, as determined by the Lender through periodic inspections of the Project and tenant files documenting occupancy by Qualifying Households, and as evidenced by monitoring close-out letters from Lender to Borrower indicating compliance with the County CCP Regulatory Agreement, for the entirety of the thirty (30) year Term described therein, then the principal amount of the County CCP Loan shall be forgiven.

2.6 **USE OF CCP FUNDS.** CCP Funds shall be used only for the Project costs specified in the Budget, and shall only be disbursed in accordance with the provisions of Article 3, below. Budget modifications may be approved in accordance with Section 9.2 of this County CCP Loan Agreement; provided, however, that all costs included in such modified Budget are eligible in accordance with this County CCP Loan Agreement and do not exceed the total costs as authorized in the Budget. CCP Funds shall only be utilized for Project costs related to residential uses, and shall not be utilized for costs related to commercial uses, or any other nonresidential uses associated with the Project.

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

2.8 **REPAYMENT OF THE COUNTY CCP LOAN.** The entire unpaid principal amount of the County CCP Loan shall be due and payable in accordance with the terms set forth in Section 2.5, above.

2.9 **PREPAYMENT OF COUNTY CCP LOAN.** No prepayment penalty will be charged to Borrower for payment of all or any portion of the County CCP Loan amounts prior to the end of the Term, subject to default provisions as defined in Sections 8.1, 8.2, and 8.3, below. However, prepayment of the County CCP Loan shall not affect Borrower's obligations under the County CCP Loan Regulatory Agreement.

2.10 **ANNUAL OPERATING EXPENSES.** This section intentionally left blank

2.11 **OPERATING AND CAPITAL REPLACEMENT RESERVE FUNDS.** This section intentionally left blank.

ARTICLE 3 COUNTY CCP LOAN DISBURSEMENT

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

- A. Borrower has acquired title to the Property;
- B. There exists no Event of Default or any act, failure, omission or condition that with the giving of notice or passage of time would constitute an Event of Default;
- C. Borrower has executed and delivered to Lender all documents, instruments, and policies required under the County CCP Loan Documents, including, but not limited to, an ALTA Lender's policy of title insurance in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) from a title insurance company approved by the Lender in a form reasonably acceptable to Lender;
- D. Borrower has provided to Lender certificates of insurance as specified in the insurance provisions set forth in Exhibit F;
- E. Borrower has secured all permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions; and
- F. Borrower has complied with all reporting requirements set forth in this County CCP Loan Agreement in accordance with Section 3.2 and Section 5.11 as applicable.

3.2 **DISBURSEMENT OF CCP FUNDS.** Lender shall provide CCP Funds to Borrower by either documentation of expenses as they are incurred, or on a reimbursement basis, at the discretion of Lender, for approved Project costs incurred by Borrower and approved by Lender in accordance with the Budget (Exhibit B) and only after Project costs which are to be paid have been incurred and paid by the Borrower, as applicable, and as evidenced by invoices and proof of payment, as applicable. Disbursement of CCP Funds shall not exceed a total of One Million Five Hundred Thousand Dollars (\$1,500,000).

CCP Funds shall be disbursed through periodic payments based upon Project costs incurred and work completed, as evidenced by documentation supporting the completed work signed by the Project architect and verified by Lender. Borrower shall submit to Lender disbursement requests ("Written Disbursement Requests") in writing no more frequently than one time per month. Written Disbursement Requests shall include itemized invoices corresponding to the Budget (Exhibit B). Borrower shall also

attach copies of receipts or other proof of payment by Borrower that demonstrates date of payment and is acceptable to Lender, and additional documentation as necessary to comply with state and local regulations.

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

Notwithstanding the above, as a special disbursement condition, Lender shall retain Ten Thousand Dollars (\$10,000) of CCP Funds until after (i) Borrower has completed construction of the Project, as evidenced by a Notice of Completion (defined below); (ii) Borrower has provided beneficiary data for the sixteen (16) CCP-Assisted Units of the Project as required under the CCP Program; and (iii) any and all liens against the Property have been released.

ARTICLE 4 DEVELOPMENT OF PROJECT

4.1 COMMENCEMENT OF CONSTRUCTION. Borrower shall commence construction of the Project no later than six (6) months after the Effective Date of this County CCP Loan Agreement. Commencement of construction shall mean obtaining all final permits, entitlements and approvals required by all permitting and regulatory authorities and jurisdictions and commencing work on any task associated with a line item in the Budget (Exhibit B) at the Property that requires a permit, entitlement or approval. If Borrower fails to commence construction as set forth above, Lender may terminate this County CCP Loan Agreement pursuant to Article 8, below.

4.2 COMPLETION OF CONSTRUCTION. Borrower shall diligently pursue construction of the Project to completion, and shall complete construction of the Project and have the CCP-Assisted Units occupied by Qualifying Households, no later than June 30, 2025. Borrower shall provide proof of completion as evidenced by the issuance of a final Certificate of Occupancy by the City of Santa Barbara ("Certificate of Occupancy").

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

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

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

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

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

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

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

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

4.9 **LEAD-BASED PAINT AND ASBESTOS REMOVAL.** Borrower and its contractors and subcontractors shall not use lead-based paint or asbestos in the construction or maintenance of the Project and shall comply with Federal regulations set forth in 24 CFR Part 35, subparts A, B, J, K, M and R, 29 C.F.R., 40 C.F.R., the Residential Lead-Based Paint Hazard Reduction Act of 1992, also known as Title X (42 U.S.C., 4851, et seq.), the Lead-Based Paint Poisoning Prevention Act (42 USC 4821, et seq.), California O.S.H.A., California Health and Safety Code, and all other applicable Federal, state and County standards. Borrower shall incorporate or cause to be incorporated the provisions of this Section 4.9 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 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 CCP Loan is served on Lender, or any other lender or other third party in connection with the Project, Borrower shall, within sixty (60) days of such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to Lender a surety bond in sufficient form and amount, provide Lender with a lien-free endorsement, or provide Lender with other assurance reasonably satisfactory to Lender that the claim of lien or stop notice will be promptly paid or discharged in a timely manner.

If Borrower fails to discharge any lien, encumbrance, charge, or claim, 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 that encumbers 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 ("Notice of Completion"), 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 THE STATE OF CALIFORNIA CCP PROGRAM AND OTHER STATE OR LOCAL REQUIREMENTS. All requirements imposed on properties assisted under the CCP program as established by the State of California pursuant to Chapter 5 (commencing with Section 50210) of Part 1 of Division 31 of the Health and Safety Code, and all other relevant provisions established under SB 850 (Chapter 48, Statutes of 2018), and other implementing rules and regulations are incorporated herein by this reference ("CCP Regulations"). In the event of any conflict between this County CCP Loan Agreement and the CCP Regulations, the CCP Regulations shall govern.

The laws and regulations governing the use of the State of California CCP Funds relating to administrative requirements, financial management, cost principals and audits, shall be followed by Borrower at all times during the Term. Additionally, the following federal requirements shall be followed:

A. OMB Requirements. The applicable policies, guidelines, and requirements of 2 CFR Part 200 or similar State requirements as applicable.

B. Audit requirements. In accordance with 2 CFR Part 200, agencies that expend Seven Hundred Fifty Thousand (\$750,000) or more in federal funds in a year as calculated therein must undergo a single audit in compliance with Subpart F.

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

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

E. Environmental Review. The provisions of the California Environmental Quality Act (CEQA), California Public Resources Code § 21000 et seq, are applicable to the Project.

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

G. Prevailing Wages. If applicable, Borrower shall comply with federal Fair Labor Standards Act requirements as well as all labor laws and regulations of the State of California and Lender.

Where funds provided through this County HEAP Loan Agreement are used for construction work, or in support of construction work, Borrower shall ensure that the requirements of Chapter 1 (commencing with Section 1720) of Part 7, Division 2 of the State of California Labor Code (pertaining to payment of prevailing wages and administered by the California Department of Industrial Relations) are met.

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

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

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

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 (collectively, "Relocation Laws"). Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with Relocation Laws. If, upon audit review by Lender or by any Federal agency, it is determined that additional relocation payments are due, then Borrower shall make such payments. In the event Borrower does not make payments as requested by Lender, such failure, refusal, or inability to make any such payments shall constitute an Event of Default, and, subject to Borrower's cure rights, Lender may then require immediate repayment of the County CCP Loan plus any and all relocation payments due. Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 hereof and/or Exhibit F hereto, Borrower hereby agrees to indemnify Lender for any action brought against Lender based on an alleged failure to comply with relocation obligations pursuant to applicable law in connection with this Project.

4.14 **UNAVOIDABLE DELAY IN PERFORMANCE.** The time for performance of provisions of this County CCP Loan Agreement by either party hereto shall be extended for a period equal to the period of any delay directly affecting the Project or this County CCP Loan Agreement which is caused by any of the following events that are beyond the reasonable control of the Party claiming such delay and not attributable, directly or indirectly, to the Party claiming such delay (“Force Majeure”): war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; government-mandated quarantine restrictions; or freight embargoes. An extension of time for any such Force Majeure will be deemed granted only if written notice by the Party claiming such delay is sent to the other Party in accordance with the notice provisions herein within ten (10) calendar days from the commencement of such Force Majeure, and such extension of time is either accepted by the other Party in writing, or is not rejected in writing by the other Party within ten (10) calendar days of receipt of such written notice. In any event, construction of the Project must be completed no later than ninety (90) calendar days after the scheduled completion date specified herein, any unavoidable delay notwithstanding. Times of performance under this County CCP Loan Agreement may also be extended for any cause for any period of time by mutual written agreement duly executed by each of Lender and Borrower.

ARTICLE 5 OPERATION

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

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

5.2 **TENANT SELECTION.** In the selection of tenants, Borrower shall select tenants that qualify in accordance with Section 1.23 of this Agreement.

Borrower shall rent the CCP-Assisted Units to any Qualifying Household. Borrower shall verify and document a prospective tenant’s eligibility through the Probation Department’s written referral procedure.

5.3 This paragraph is left intentionally blank.

5.4 **INCOME CERTIFICATION.** This section intentionally left blank.

5.5 This paragraph is left intentionally blank.

5.6 **INITIAL LEASING OF THE PROJECT.** When leasing any CCP-Assisted Unit in the Project, Borrower shall provide the tenant of such CCP-Assisted Unit with a written lease with a term of no less than twelve (12) months. No rent increase shall occur at any time during the term of such lease. Any termination of or refusal to renew such lease must be only for blatant and material violations of such lease, and Borrower shall exercise all options to assist such tenants with conforming with the lease terms prior to commencement of eviction procedures. Evictions must be preceded by not less than thirty (30) days’ prior written notice to such tenant(s) by the Borrower specifying the grounds for the eviction action, except for health and safety violations and notices to pay rent or quit.

Within 120 days of receiving the Certificate of Occupancy and in accordance with Section 4.2, above, Borrower shall lease all of the sixteen (16) CCP-Assisted Units to Qualifying Households and provide Lender with detailed occupancy data.

5.7 **AFFORDABILITY RESTRICTIONS.** Each CCP-Assisted Unit shall be occupied by a Qualifying Household, as set forth in the County CCP Loan Regulatory Agreement, and shall provide such tenants with access and enjoyment of all indoor and outdoor common areas and facilities of the Property on the same basis as provided to tenants occupying all other residential Units on the Property.

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

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

5.10 **NONDISCRIMINATION.** During the performance of this County CCP Loan Agreement, Borrower and its contractors and subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex (gender), sexual orientation, gender identity, gender expression, race, color, ancestry, religion, creed, national origin (including language use restriction), pregnancy, physical disability (including HIV and AIDS), mental disability, medical condition (cancer/genetic characteristics), age (over 40), genetic information, marital status, military and veteran status, and denial of medical and family care leave or pregnancy disability leave. Borrower and its contractors and subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. Contractor or subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this County HEAP Loan Agreement by reference and made a part hereof as if set forth in full. Borrower and its contractors and subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

5.11 **RECORDS AND REPORTS.** Borrower shall be accountable to Lender for all CCP Funds disbursed to Borrower pursuant to the County CCP Loan Documents. Borrower shall maintain records that accurately and fully reflect the date, amount, purpose, and payee of all expenditures for construction costs drawn from CCP Funds, and shall keep all invoices, receipts, and other documents related to expenditures for construction costs drawn from CCP Funds for five (5) years after recordation of a Notice of Completion issued for the Project. Each first day of April Commencing on the first day of the April following recordation of a notice of completion issued for the Project, Borrower shall submit reports annually to Lender with information regarding tenant income, rent, and Unit inspection information. Tenant income, rent, Unit inspection information, and all records related to any revenue received by Borrower in connection with the Project shall be maintained by Borrower until the date that is five (5) years after the expiration of the 30-year Affordability Period specified in the CCP Loan Regulatory Agreement. Borrower shall maintain all such records in an accurate and current manner.

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

Borrower shall submit to Lender monthly written Project construction progress reports and an updated construction schedule within ten (10) days following the end of each month, commencing on the Effective Date, and concluding upon the issuance of a final Certificate of Occupancy for the Project.

Records of all permits, entitlements and approvals, inspections and sign-offs required by applicable permitting and regulatory authorities and jurisdictions shall be submitted by Borrower to Lender within thirty (30) days following the recordation of the Notice of Completion.

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

Data on the initial lease-up of the CCP-Assisted Unit sufficient to close-out the Project shall be submitted by Borrower to Lender within ten (10) days following the execution of the second (2nd) lease for a CCP-Assisted Unit.

5.12 **AUDITS.** Borrower shall conduct annual audits in accordance with 2 CFR 200 Subpart F, and submit to Lender an Annual Financial Statement. Borrower shall make available to Lender for examination at reasonable intervals and during normal business hours all books, accounts, reports, files, and other papers or property with respect to all matters covered by these County CCP Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to the County CCP Loan.

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

5.13 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this County CCP 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, directly or indirectly, 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. Borrower shall notify Lender in writing 60 days in advance of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter into with respect to the Project or Property, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of Borrower or otherwise.

5.14 **TRANSFERS.** Borrower has not made or created, and shall not make or permit any sale, assignment, conveyance, or other transfer, whether directly or indirectly, by operation of law or otherwise, of this County CCP Loan Agreement, or of any of Borrower's rights or obligations hereunder, without the prior written consent of Lender.

5.15 This paragraph is left intentionally blank.

5.16 **FEES, TAXES, AND OTHER LEVIES.** Borrower shall be responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with

respect to the Property or the Project, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance that Lender in good faith from time to time determines to be appropriate to protect Lender from the consequences of the contest being unsuccessful.

5.17 DAMAGE TO PROPERTY. If any building or improvement erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its sole cost and expense, diligently undertake to repair or restore said buildings or improvements consistent with the original plans and specifications for the Project if Borrower reasonably determines that such restoration or repair is economically feasible. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs, and shall be completed within one year thereafter, subject to any extensions of time granted pursuant to the provisions of Section 4.14, above. If any of the Security is damaged or destroyed, Trustor shall, at its cost and expense, repair or restore the Security consistent with the original plans and specifications. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs, and shall be completed within one year thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Trustor be solely responsible for the cost of such repairs or restoration to the extent not covered by such insurance proceeds.

If Borrower determines that such restoration or repair is not economically feasible, then Lender may declare an Event of Default pursuant to Section 8.1.G, below. Upon request by Lender to repay all unpaid principal of the County CCP Loan, Borrower shall apply insurance proceeds thereto, subject to the rights of lenders under the Senior Loans.

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

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

5.19 **EQUAL EMPLOYMENT OPPORTUNITY.** Borrower shall, and shall ensure that all contractors, subcontractors, and professional service providers who perform work or provide services in connection with the Project, comply with all equal employment opportunity requirements under applicable law. Borrower shall, and shall ensure that all contractors, subcontractors, and professional service providers who perform work or provide services in connection with the Project, comply with all requirements concerning equal opportunities for business and lower-income persons (referred to as the Section 3 clause of the HUD Act of 1968, 12 U.S.C. 1701u).

ARTICLE 6 INDEMNITY AND INSURANCE

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

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

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

ARTICLE 7 HAZARDOUS MATERIALS

7.1 **REPRESENTATIONS AND WARRANTIES.** After reasonable investigation and inquiry, Borrower hereby represents and warrants that, to the best of its knowledge, as of the date of this County CCP 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 or other applicable 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 (collectively, “Hazardous Materials Laws”); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental entity or agency or any other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a “hazardous waste property” or as a “buffer zone property” under California Health and Safety Code Sections 25100, et seq., or regulations adopted in connection therewith.

7.2 **NOTIFICATION TO LENDER.** Borrower shall promptly notify Lender in writing of: (a) the discovery of any concentration or amount of Hazardous Materials of which Borrower becomes aware on or under the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge by Borrower (after verification of the veracity of such knowledge to Lender’s reasonable satisfaction) that the Property is not in compliance with one or more Hazardous Materials Laws; (c) the receipt by Borrower of written notice regarding any claim, demand, levy, assessment costs, or liability relating to Hazardous Materials; and (d) the discovery by Borrower of any occurrence or condition on the Property, or on any real property located within 2,000 feet of the Property, that could cause the Property or any part thereof to be designated as a “hazardous waste property”

or as a “buffer zone property” under California Health and Safety Code Sections 25100, et seq., or regulations adopted in connection therewith.

7.3 **USE AND OPERATION OF PROPERTY.** Borrower shall not, and shall insure that no 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 at all times comply, and shall cause the Project at all times to comply, with all Hazardous Materials Laws.

7.4 **REMEDIAL ACTIONS.** If Borrower has actual knowledge of the presence of any Hazardous Materials on, within, over, or under the Property, Borrower shall undertake and shall be responsible for, 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 as set forth in Section 7.5, 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 or reasonably foreseeable. No Event of Default shall be deemed to exist with respect to any claim, demand, levy or attachment being contested by Borrower in accordance with this Section 7.5.

7.6 **ENVIRONMENTAL INDEMNITY.** Without limiting or otherwise affecting the standard indemnity and insurance provisions set forth in Article 6 and/or Exhibit F, Borrower shall defend, indemnify, and hold Lender free and harmless against any claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including all costs of legal proceedings and reasonable attorney’s fees, that Lender may directly or indirectly sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this County CCP 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, occupancy, or ownership 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 CCP Loan Agreement:

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

B. Construction. (1) Borrower's substantial deviation from the Budget, without Lender's prior written consent (to the extent Lender's consent is required hereunder); (2) Borrower's use or authorization of defective or unauthorized materials or defective workmanship in constructing or development of the Project; (3) Borrower's failure to commence or complete construction pursuant to Sections 4.1 and 4.2 herein, subject to Force Majeure delays; (4) the cessation of construction prior to completion of the Project for a period of more than thirty (30) consecutive calendar days without proper written approval from Lender, subject to Force Majeure delays; (5) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's reasonable request; (6) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including, but not limited to, provisions of this County CCP 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;

C. Operation. (1) Discrimination by Borrower on any basis prohibited by this County CCP Loan Agreement or applicable law or (2) the imposition of any encumbrances or liens on the Property without Lender's prior written approval that are prohibited under this County CCP Loan Agreement or that have the effect of reducing the priority of or invalidating the County CCP Loan Deed of Trust or the County CCP Loan Regulatory Agreement;

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

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

F. Representations and warranties. A determination by Lender that its security has or will be materially impaired due to the fact that any of Borrower's representations or warranties made in any of the County CCP 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 from, or failed to disclose to, Lender a material fact ;

G. Damage to or failure to maintain Property. Material damage to or destruction of the Property by fire or other casualty if Borrower does not take steps to reconstruct the Project as required by the County CCP Loan Documents or if Borrower fails to maintain the Property pursuant to Section 5.1, above;

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

I. Program compliance. Any non-compliance with CCP Program requirements including, but not limited to, the provisions of Section 4.12, above, and the provisions of the County CCP Loan Regulatory Agreement.

J. Tax Credit Compliance. Not applicable.

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

8.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For each Event of Default, Lender shall give written notice to Borrower of such Event of Default by specifying: (a) the nature of the event or deficiency giving rise to the Event of Default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days from the date of such notice of default, or the date such 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 date of completion shall, in any event, occur no later than ninety (90) days from the date of notice to cure. The Lender has the sole but reasonable discretion to determine the existence and extent of need for additional time 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 CCP Funds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the County CCP 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 CCP Loan Agreement, in which event the entire principal amount outstanding under the County CCP Loan Note, as well as any other monies advanced to Borrower by Lender under the County CCP 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 CCP 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 CCP Loan, and demand immediate full payment of the principal amount outstanding under the County CCP Loan Note, as well as any other monies advanced to Borrower by Lender under the County CCP Loan Documents plus associated amounts due, such as relocation benefits described in Section 4.13, above;

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

E. Seek appointment from a court of competent jurisdiction of a receiver with the authority to complete construction as needed to preserve Lender's interest in seeing the Project developed in a timely manner (including the authority to take any remedial actions with respect to Hazardous Materials

that Lender or the receiver deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy);

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

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

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

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

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

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

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 all of the provisions of the County CCP Loan Documents and the County CCP Loan Regulatory Agreement, and to otherwise diligently carry out the Project in a good, workmanlike, competent, and professional manner, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the Project and to execute the County CCP Loan Documents, (4) that all of the persons executing and delivering to the County the CCP Loan Documents are authorized to execute and deliver such documents on behalf of Borrower, (5) that there has been no substantial adverse change in Borrower's financial condition since the date of application for the County CCP Loan such as, but not limited to, judgment liens, tax liens, mechanic's liens, bankruptcy, etc.; and (6) that all representations in the Borrower's loan application (including all supplementary submissions) are true, correct and complete in all material respects and are offered to induce Lender to make the County CCP Loan.

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

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

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

A. Except for approved eligible administrative or personnel costs, no person described in subsection (B), below, who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this County CCP Loan Agreement, or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from such activity, or have an interest in any contract, subcontract, or other agreement with respect thereto, or the proceeds thereunder, either for themselves or for 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 compliance with this Section 9.3.

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 of Santa Barbara, or any person related within the third (3rd) degree of such person.

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

9.5 **PUBLICITY.** Any publicity produced by Borrower for the Project during the Term of the County CCP 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" shall 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 term of this County CCP Loan Agreement shall commence on the Effective Date, and shall remain in full force and effect throughout the term of the County CCP Loan ("Term").

9.7 **GOVERNING LAW.** The County CCP Loan Documents shall be interpreted under and shall be governed by the laws of the State of California, except for those provisions preempted by federal law, if any.

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

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

9.10 **CONSENTS AND APPROVALS.** Any consent or approval of Lender or Borrower required under the County CCP Loan Documents shall not be unreasonably withheld. Any approval required under the County CCP Loan Documents shall be in writing and executed by an authorized representative of the party granting such 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 hand delivered personally, to the principal offices of Borrower and Lender as follows:

LENDER: County of Santa Barbara
Department of Probation
117 E. Carillo St.
Santa Barbara, CA 93101
Attn: Chief Financial Officer

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

BORROWER: Sanctuary Centers
222 West Valerio Street
Santa Barbara, CA 93102
Attn: Chief Executive Officer

With copy to: Sanctuary Centers
P.O. Box 551
Santa Barbara, CA 93102

With copy to: Mullen and Henzel, LLP
12 East Victoria Street
Santa Barbara, CA 93101
Attn: Graham Lyons, Esq.

9.12 **BINDING UPON SUCCESSORS.** All provisions of the County CCP Loan Documents shall be binding upon and inure to the benefit of the permitted heirs, administrators, executors, successors-in-interest, transferees, and assigns of each of the Parties to the extent duly authorized in accordance with the provisions of the County CCP Loan Documents; provided, however, that the foregoing provisions of this Section 9.12 do not waive or modify any prohibitions on assignment or transfer by Borrower without Lender's consent as set forth in any of the County CCP Loan Documents.

9.13 **RELATIONSHIP OF PARTIES.** The relationship of Borrower and Lender for this Project under the County CCP Loan Documents 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, employment, or any other relationship. Lender neither undertakes nor assumes any responsibility or duty to Borrower (except as provided for herein) or any third party with respect to the Project, the Property, or the County CCP Loan.

9.14 **ASSIGNMENT AND ASSUMPTION.** Except as otherwise expressly permitted hereunder, Borrower shall not, without the prior written consent of Lender in each instance, assign or

otherwise transfer, directly or indirectly, whether by operation of law or otherwise (“Transfer”), this County CCP Loan Agreement or any of Borrower’s obligations or interests under this County CCP Loan Agreement or the other County CCP Loan Documents. Any unauthorized Transfer shall be voidable at the sole discretion of Lender.

9.15 **WAIVER.** Any waiver by Lender of any obligation set forth in the County CCP Loan Documents must be in writing. No waiver will be implied from any delay or failure by Lender to take action on any breach, default, act or omission of Borrower, or to pursue any remedy allowed under the County CCP Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the County CCP Loan Documents shall not operate as a waiver or release from any of the Borrower’s other obligations under the County CCP 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 prior written consent to future waivers.

9.16 **INTEGRATION.** This County CCP Loan Agreement and the other County CCP Loan Documents, including exhibits hereto and thereto, executed by Borrower contain the entire agreement of the Parties 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 ther.

9.17 **OTHER AGREEMENTS.** Borrower represents that it has not entered into any agreements that are inconsistent with the provisions of the County CCP Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of the County CCP Loan Documents without Lender’s prior written consent in each instance.

9.18 **CHANGES OR AMENDMENTS.** Any changes to this County CCP Loan Agreement may only be made through a written amendment to this County CCP Loan Agreement duly executed by each of Lender and Borrower which makes specific reference to this County CCP Loan Agreement, and is signed by a duly authorized representative of each Party. No such amendment shall modify any part of this County CCP Loan Agreement except to the extent specified in such amendment, nor relieve or release Lender or Borrower from such Party’s obligations under this County CCP Loan Agreement except to the extent specified in such amendment. Borrower agrees to not withhold its approval of any amendments proposed by Lender that are necessary in order to conform the County CCP Loan Documents with federal, state or local governmental laws, regulations, ordinances, orders, rules, directives, circulars, bulletins, notices, guidelines, policies and available funding amounts.

The Department of Probation or designee is authorized to approve, in his or her discretion, and execute amendments on behalf of Lender to make, any one or more of the following changes:

9.18.1 Changes to this County CCP Loan Agreement that are necessary in order to conform with federal, state or local governmental laws, regulations, ordinances, orders, rules, directives, circulars, bulletins, notices, guidelines, policies and available funding amounts.

9.18.2 Amendments to this County CCP Loan Agreement which are deemed to be minor by the Director of Department of Probation and County Counsel, and which do not adversely affect Lender’s rights, responsibilities, or interests in this County CCP Loan Agreement.

9.18.3 Consent and Subordination Agreements subordinating the County CCP Loan Documents to the Senior Loans.

9.19 **SEVERABILITY.** Every provision of this County CCP Loan Agreement is intended to be severable. If any provision of this County CCP 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 CCP Loan Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

9.21 **SUBORDINATION.** County hereby agrees to subordinate the County CCP Loan and all documents securing or evidencing the County CCP Loan, including, but not limited to, the County CCP Loan Deed of Trust, to the Senior Loans and the lien of any deed of trust or mortgage securing the Senior Loans.

9.22 **PERMITTED REFINANCING.** Borrower may refinance the Senior Loans without the prior consent of the County (the "Refinanced Indebtedness"). County hereby agrees to subordinate the County CCP Loan and all documents securing or evidencing the County CCP Loan, including, but not limited to, the County CCP Loan Deed of Trust, to the Refinanced Indebtedness and the lien of any deed of trust or mortgage securing the Refinanced Indebtedness in accordance with Section 9.18.3, above, provided that the principal balance of the Refinanced Indebtedness does not exceed the then-outstanding principal balance of the Senior Indebtedness plus reasonable costs of refinancing the Senior Indebtedness. Notwithstanding the foregoing, prior written County approval shall be required for any Refinanced Indebtedness that increases the total principal of the Senior Loans (i.e., "cash-out" refinance) or significantly increases Borrower's monthly debt service. Notwithstanding the above, the CCP Regulatory Agreement shall continue to remain in full force and effect.

9.23 **CHILD SUPPORT COMPLIANCE ACT.** For any Contract Agreement in excess of \$100,000, the Borrower acknowledges in accordance with Public Contract Code 7110, that: (A) The Borrower recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement, including, but not limited to, disclosure of information and compliance with earnings assignment orders, as provided in Chapter 8 (commencing with section 5200) of Part 5 of Division 9 of the Family Code; and (B) Borrower, to the best of its knowledge, is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

9.24 **DRUG-FREE WORKPLACE CERTIFICATION.** Certification of Compliance: By signing this County CCP Loan Agreement, Borrower hereby certifies, under penalty of perjury under the laws of State of California, compliance with the requirements of the Drug-Free Workplace Act of 1990 (Government Code 8350 et seq.) and have or will provide a drug-free workplace by taking the following actions:

A. Publish a statement notifying employees and subcontractors that unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited and specifying actions to be taken against employees, contractors, or subcontractors for violations, as required by Government Code section 8355(a)(1).

B. Establish a Drug-Free Awareness Program, as required by Government Code section 8355(a)(2) to inform employees, contractors, or subcontractors about all of the following:

1. The dangers of drug abuse in the workplace;
2. Borrower's policy of maintaining a drug-free workplace;
3. Any available counseling, rehabilitation, and employee assistance programs; and,
4. Penalties that may be imposed upon employees, contractors, and subcontractors for drug abuse violations.

C. Provide, as required by Government Code section 8355(a)(3), that every employee and/or subcontractor who works under this County CCP Loan Agreement:

1. Will receive a copy of Borrower's drug-free policy statement, and
2. Will agree to abide by terms of Borrower's condition of employment or subcontract.

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

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

ATTEST:

MONA MIYASATO
Clerk of the Board

By: _____
Deputy Clerk of the Board

LENDER:

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

By: _____
Joan Hartmann, Chair
Board of Supervisors

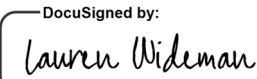
**APPROVED AS TO ACCOUNTING
FORM:**

BETSY M. SCHAFFER, CPA
AUDITOR-CONTROLLER

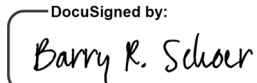
By:  _____
Deputy

By:  _____
George Chapjian
Director, Community Services Dept.

APPROVED AS TO FORM
RACHEL VAN MULLEM
COUNTY COUNSEL

By:  _____
Deputy County Counsel

BORROWER
SANCTUARY CENTERS OF SANTA
BARBARA, INC.
a California nonprofit public benefit Corporation

By:  _____
Barry Schoer
CEO

APPROVED AS TO FORM:

RISK MANAGEMENT

By:  _____
Greg Milligan, ARM, AIC
Risk Manager

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 039-222-002

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SANTA BARBARA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

That portion of Block 126 in the City of Santa Barbara, County of Santa Barbara, State of California, described as follows:

Lot 7 as designated and shown on the plat or map and report filed in the Superior Court of said County of Santa Barbara, in the Partition Suit of Eugene S. Upson vs Julia E. VanSlyke, et ux., August 18, 1898, the Final Decree of Partition in said suit being rendered August 31, 1898, and a copy thereof filed in the Office of the County Recorder of said Santa Barbara County on the 31st day of August 1898, and recorded in Book 65 of Deeds, Page 132, said Lot 7 being particularly described as follows:

Commencing at a point marked by an iron pin driven into the ground on the Southeasterly line of Anapamu Street 170 feet Southwesterly from the North corner of Block 126 as per Official Map of the City of Santa Barbara, California, at the West corner of a 15 foot alley, and running thence Southwesterly along the said line of Anapamu Street 55 feet to an iron pin driven into the ground, thence at a right angle Southeasterly along the line of another 15 foot alley into said Block 200 feet to an iron pipe driven into the ground, thence at right angles Northeasterly 55 feet to an iron pipe driven into the ground and the Southwesterly line of said first mentioned 15 foot alley, thence at a right angle Northwesterly along the Southwesterly line of said alley 200 feet to the place of beginning.

Exhibit C

NO FEE DOCUMENT

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

County of Santa Barbara
Housing and Community Development
123 E. Anapamu Street, 2nd floor
Santa Barbara, CA 93101
Deputy Director

NO FEE DOCUMENT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 27383

COUNTY COMMUNITY CORRECTIONS PARTNERSHIP (CCP) LOAN DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT

THIS COUNTY CCP LOAN DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT (“County CCP Loan Deed of Trust”) is made as of December 13, 2022 (“Effective Date”), by and between Sanctuary Centers of Santa Barbara, Inc., a California a non-profit public benefit corporation (“Borrower”), whose mailing address is P.O. Box 551, Santa Barbara, California 93102 (“Trustor”) to Chicago Title Company, as trustee (“Trustee”) for the benefit of the County of Santa Barbara, a political subdivision of the State of California (“Beneficiary”).

GRANT IN TRUST

1. GRANT. Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor’s interest in that certain real property located at 115 West Anapamu Street, Santa Barbara, California (the “Property”), as more particularly described in the attached Exhibit A, incorporated herein by this reference;

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

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

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

OBLIGATIONS SECURED

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

A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of One Million Five Hundred Thousand Dollars (\$1,500,000) with interest thereon, evidenced by the County CCP Loan Promissory Note executed by Trustor, in the amount of \$1,500,000 (the "County CCP Loan Note"), on file at the offices of Beneficiary and hereby incorporated by reference into this County CCP Loan Deed of Trust, or as much as has been disbursed to Trustor therewith; and

B. Payment of any sums advanced by Beneficiary to protect the Security and priority of this County CCP Loan Deed of Trust; and

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

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

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

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

ABSOLUTE ASSIGNMENT OF RENTS AND RIGHT TO POSSESSION

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

4. ENFORCEMENT. Upon the occurrence of an Event of Default which remains uncured after expiration of the applicable cure period pursuant to the terms of the County CCP Loan Agreement or other County CCP Loan Documents, Beneficiary may, in addition to other rights and remedies permitted by the County CCP Loan Agreement, this County CCP Loan Deed

of Trust, or applicable law: (a) enter upon, take possession of, and manage the Security, either in person as a mortgagee-in-possession, by agent, or by a receiver appointed by a court, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security, (b) collect all Rents, including those past due and unpaid, and apply the same to pay for the Project Related Costs, costs and expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured by this County CCP Loan Deed of Trust, all in such order as Beneficiary may determine, (c) enter upon and take possession of the Security, and complete construction of any improvements on the Security as provided for in the plans and specifications approved under the County CCP Loan Agreement or any modifications to the plans and specifications or the development of the Security that Beneficiary in its sole discretion believes is appropriate, and/or (d) Beneficiary may make, cancel, enforce, and modify leases and rental agreements, obtain and evict tenants, set and modify rent terms, sue for rents due, enter into, modify, or terminate any contracts or agreements, or take any legal action, as it deems necessary with respect to the Rents or to development or operation of the Security, subject to the rent restrictions imposed against the Property by the County CCP Loan Regulatory Agreement.

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

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

COMMERCIAL CODE SECURITY AGREEMENT

7. GRANT. This County CCP Loan Deed of Trust is intended to be a security agreement and financing statement pursuant to the California Commercial Code for any of the items specified above as part of the Security which under applicable law may be subject to a security interest pursuant to the California Commercial Code, and Trustor hereby grants Beneficiary a security interest in the Security. Beneficiary may file a copy of this County CCP Loan Deed of Trust in the real estate records or other appropriate index as a financing statement for any of the items specified as part of the Security. Trustor shall execute and deliver to Beneficiary at Beneficiary's request any financing statements, as well as extensions, renewals, and amendments thereof, and copies of this instrument in such form as Beneficiary may require

to perfect a security interest with respect to the Security. Trustor shall pay all costs of filing such financing statements and shall pay all reasonable costs of any record searches for financing statements and releases. Without the prior written consent of Beneficiary, Trustor shall not create or permit any other security interest in or encumbrance of the Security. Notwithstanding the foregoing, Beneficiary approves and authorized subordinating this lien to those Senior Loans described in the County CCP Loan Agreement. This County CCP Loan Deed of Trust constitutes a fixture filing under Division 9 of the California Commercial Code.

8. REMEDIES. Upon Trustor's breach of any obligation or agreement in the County CCP Loan Documents, after expiration of any applicable cure period, Beneficiary shall have the remedies of a secured party under the California Commercial Code and at Beneficiary's option may also invoke the remedies provided for elsewhere in this County CCP Loan Deed of Trust or other County CCP Loan Documents. Beneficiary may proceed against the Security specified above separately or together and in any order whatsoever.

RIGHTS AND OBLIGATIONS OF TRUSTOR

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

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

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

12. INSPECTION OF THE SECURITY. Trustor shall permit Beneficiary to enter and inspect the Security during normal business hours for compliance with these obligations upon at

least 24 hours' advance notice of such visit by Beneficiary to Trustor or Trustor's management agent.

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

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

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

16. DAMAGE TO SECURITY. Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to or destruction of the Security. If any of the Security is damaged or destroyed, Trustor shall, at its cost and expense, repair or restore the Security consistent with the original plans and specifications. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs, and shall be completed within one year thereafter. All insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, Trustor be solely responsible for the cost of such repairs or restoration to the extent not covered by such insurance proceeds.

17. TITLE. Trustor warrants that Trustor lawfully has legal title to the Security without any limitation on the right to encumber other than those limitations set forth in the CCP Promissory Loan Document, County CCP Loan Agreement, County CCP Loan Deed of Trust and County CCP Loan Regulatory Agreement approved by Beneficiary.

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

19. TAXES AND LEVIES. Trustor shall be responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Project, and shall pay such charges prior to delinquency. However, Trustor shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if

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

20. INSURANCE. Trustor shall provide such insurance as required under the County CCP Loan Documents. In the event Trustor fails to maintain the full insurance coverage required by this County CCP Loan Deed of Trust and the County CCP Loan Documents, Beneficiary, after at least seven business days' prior notice to Trustor, may, but shall be under no obligation to, take out the required policies of insurance and pay the premiums on such policies. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the County CCP Loan Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this County CCP Loan Deed of Trust.

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

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

22. RECONVEYANCE BY TRUSTEE. This trust is intended to continue for the entire Term of the County CCP Loan and the County CCP Loan Documents. Upon written request of Beneficiary stating that all obligations set forth in the County CCP Loan Agreement and associated documents have been met and upon surrender of this County CCP Loan Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

DEFAULT AND REMEDIES

23. EVENTS OF DEFAULT. Any of the events listed in the County CCP Loan Agreement as an Event of Default shall also constitute an Event of Default under this County CCP Loan Deed of Trust. A cure of any default made or tendered by Owner accepted or rejected on the same basis as if made or tendered by Trustor.

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

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

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

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

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

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

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

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

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

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

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

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

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

GENERAL PROVISIONS

29. GOVERNING LAW. This County CCP Loan Deed of Trust shall be interpreted under and governed by the laws of the State of California, except for those provisions preempted by federal law, if any.

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

31. CONSENTS AND APPROVALS. Any consent or approval of Beneficiary required under this County CCP Loan Deed of Trust shall not be unreasonably withheld.

32. TIME. Time is of the essence in this County CCP Loan Deed of Trust.

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

LENDER: County of Santa Barbara
Department of Probation
117 E. Carillo St.
Santa Barbara, CA 93101
Attn: Chief Financial Officer

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

BORROWER: Sanctuary Centers
222 West Valerio Street
Santa Barbara, CA 93101
Attn: Chief Executive Officer

With copy to: Sanctuary Centers
P.O.Box 551
Santa Barbara, CA 93102
Attn: Chief Executive Officer

With copy to: Mullen and Henzel, LLP
12 East Victoria Street
Santa Barbara, CA 93101
Attn: Graham Lyons, Esq.

34. BINDING UPON SUCCESSORS. All provisions of this County CCP Loan Deed of Trust shall be binding upon and inure to the benefit of the permitted heirs, administrators, executors, successors-in-interest, transferees, and assigns of Trustor, Trustee, and Beneficiary, to the extent in compliance with the provisions of the County CCP Loan Documents pertaining to Transfers.

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

36. AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to this County CCP Loan Deed of Trust shall not be effective unless in writing duly executed by each of Beneficiary and Trustor.

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

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

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

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

41. SUBSTITUTION OF TRUSTEES. Beneficiary may from time to time appoint another trustee to act in the place and stead of Trustee or any successor. Upon such appointment

and without conveyance, the successor trustee shall be vested with all title, powers, and duties conferred upon Trustee.

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

43. SECTION INTENTIONALLY LEFT BLANK

44. NONRECOURSE. Except as expressly provided in the second paragraph of this section, the Trustor, and the Trustor's officers, directors, employees and agents shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the County CCP Loan Promissory Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the County CCP Loan Promissory Note shall be to the property securing the indebtedness evidenced by this County CCP Deed of Trust. However, nothing contained in the foregoing limitation of liability shall (i) limit or impair the enforcement against all such security for the County CCP Loan Promissory Note of all the rights and remedies of the Beneficiary, or (ii) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the County CCP Loan Promissory Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

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

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

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 039-222-002

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SANTA BARBARA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

That portion of Block 126 in the City of Santa Barbara, County of Santa Barbara, State of California, described as follows:

Lot 7 as designated and shown on the plat or map and report filed in the Superior Court of said County of Santa Barbara, in the Partition Suit of Eugene S. Upson vs Julia E. VanSlyke, et ux., August 18, 1898, the Final Decree of Partition in said suit being rendered August 31, 1898, and a copy thereof filed in the Office of the County Recorder of said Santa Barbara County on the 31st day of August 1898, and recorded in Book 65 of Deeds, Page 132, said Lot 7 being particularly described as follows:

Commencing at a point marked by an iron pin driven into the ground on the Southeasterly line of Anapamu Street 170 feet Southwesterly from the North corner of Block 126 as per Official Map of the City of Santa Barbara, California, at the West corner of a 15 foot alley, and running thence Southwesterly along the said line of Anapamu Street 55 feet to an iron pin driven into the ground, thence at a right angle Southeasterly along the line of another 15 foot alley into said Block 200 feet to an iron pipe driven into the ground, thence at right angles Northeasterly 55 feet to an iron pipe driven into the ground and the Southwesterly line of said first mentioned 15 foot alley, thence at a right angle Northwesterly along the Southwesterly line of said alley 200 feet to the place of beginning.

Exhibit D

COUNTY COMMUNITY CORRECTIONS PARTNERSHIP (CCP) LOAN PROMISSORY NOTE

Santa Barbara, California

\$1,500,000

December 13, 2022

FOR VALUE RECEIVED, Sanctuary Centers of Santa Barbara, Inc., a California non-profit public benefit corporation (“Borrower”), whose mailing address for notice purposes is P.O. Box 551, Santa Barbara, California 93102, hereby promises to pay to the order of the County of Santa Barbara, a political subdivision of the State of California (“Lender”), whose address is 123 E. Anapamu Street, 2nd Floor, Santa Barbara, California 93101, the principal amount equal to One Million Five Hundred Thousand Dollars (\$1,500,000), or so much thereof as may be advanced by Lender to Borrower as set forth below (“County CCP Loan”).

1. **PURPOSE.** In order to assist Borrower in constructing a thirty-four (34) unit residential apartment building, including sixteen (16) affordable housing studio apartment rental units (the “Project”) on the property located at 115 West Anapamu Street, Santa Barbara, California (the “Property”), Lender has agreed to loan the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) to Borrower, all of which is derived from funds received by the Lender under the County of Santa Barbara Community Corrections Partnership (“CCP”).

2. **BORROWER’S OBLIGATION.** This promissory note (“County CCP Loan Promissory Note”) evidences Borrower’s obligation to pay Lender the principal amount of One Million Five Hundred Thousand Dollars (\$1,500,000), loaned to Borrower by Lender (“County CCP Loan”) for the specific uses designated in that certain Loan Agreement by and between Borrower and Lender dated December 13, 2022 (“County CCP Loan Agreement”).

3. **NO INTEREST LOAN.** This County CCP Loan Promissory Note shall bear no (0%) interest.

4. This paragraph is left intentionally blank.

5. **AMOUNT AND TIME OF PAYMENT.** The unpaid principal amount of the County CCP Loan shall be due and payable on the earlier of: (a) thirty (30) years after the date of Project completion in conformance with 24 CFR 400, 24 CFR 576, and State regulations (Chapter 5 (commencing with Section 50210 of Part 1 Division 31 of the Health and Safety Code)), and evidenced by a written notice of completion provided to the Borrower by the County of Santa Barbara; (b) the date the Property is sold or otherwise transferred; (c) the date that is six (6) months after the Effective Date of the County CCP Loan Agreement, if Borrower has failed to commence construction as set forth in Section 4.1 of the County CCP Loan Agreement; or (d) an event of default by Borrower, as defined in Section 8.1 of the County CCP Loan Agreement, which default has not been cured as provided for in Section 8.2 of the County CCP Loan Agreement. In the event of default by Borrower, as defined in Section 8.1 of the County CCP Loan Agreement, which has not been cured as provided for in Section 8.2 of the County CCP Loan Agreement, the principal shall be due and payable in accordance with Section 9 of this County CCP Loan Promissory Note.

The foregoing notwithstanding, if Borrower remains compliant with the terms of the County CCP Loan Regulatory Agreement, as determined by Lender through periodic inspections of the Project and tenant files documenting occupancy by Qualifying Households, and as indicated with monitoring close-out letters from Lender to Borrower indicating compliance with the County CCP Loan Regulatory Agreement, for the entirety of the thirty (30) year term of the County CCP Loan Regulatory Agreement, then the unpaid principal amount of the County CCP Loan evidenced by this County CCP Loan Promissory Note shall be forgiven.

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

- a. “Annual Financial Statement” means the financial statement of Operating Expenses and Revenue, prepared at the Borrower’s expense, by an independent certified accountant reasonably acceptable to Lender, which shall be provided as part of Borrower’s annual reporting to Lender.
- b. “County CCP Loan Deed of Trust” means that certain Deed of Trust, Assignment of Rents, and Security Agreement recorded against the Property and the improvements to be constructed thereon as security for the County CCP Loan by Borrower as trustor with Lender as beneficiary, as well as any amendments to, modifications of, and restatements of said County CCP Loan Deed of Trust.
- c. “County CCP Loan Regulatory Agreement” means that certain Regulatory Agreement executed by Borrower and Lender on or about the date hereof and recorded against the Property, which regulates the use of the sixteen (16) CCP-Assisted Units in the Project.
- d. “County CCP Loan Documents” means, collectively, the County CCP Loan Agreement, the County CCP Loan Promissory Note, the County CCP Loan Deed of Trust, and the County CCP Loan Regulatory Agreement, as they may be duly amended or restated from time to time in accordance with the provisions herein and therein, along with all exhibits and attachments hereto and thereto.
- e. “Operating Expenses” means actual, reasonable and customary costs, fees and expenses directly attributable to the operation, maintenance, and management of the Project, including painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, certificates, permits and licenses, sewer charges, real and personal property taxes and assessments, insurance, reasonable property management fee, security, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, lease payments, if any, cash deposited into reserves for operating expenses with respect to the Project, not to exceed an amount equal to three (3) months’ operating expenses, capital replacements with respect to the Project in an amount not to exceed \$3,000 annually, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, and fees and expenses of accountants, attorneys, consultants and

other professionals. The Operating Expenses shall be reported in the Annual Financial Statement.

- f. “Project” means the construction, operation and management of the Property and the improvements to be constructed thereon according to the terms of the County CCP Loan Agreement.
- g. “Property” means the property located at 115 West Anapamu Street, Santa Barbara, California, Assessor’s Parcel Number 039-222-002, and as more particularly described in Exhibit A to the County CCP Loan Agreement.
- h. “Revenue” means all income derived from the Project, including, but not limited to, rents from the units located on the Property, and income from laundry operations, vending machines, meeting space rental, storage, and parking. Revenue shall be reported in the Annual Financial Statement.

“Senior Loans” means (i) that certain construction loan from First Republic Bank, in an amount not to exceed \$8,900,000, which will convert to a permanent loan upon completion of Project construction and issuance of Certificates of Occupancy in an amount not to exceed Four Million, Five hundred thousand, forty-nine thousand, Three hundred Dollars (\$4,549,300), (ii) a State of California, Division of Housing and Community Development, No Place Like Home (NPLH), financing in the original principal amount of Four Million Three Hundred Fifty Thousand Seven Hundred Dollars (\$4,350,700), (iii) a State of California Health and Human Services Agency, Department of Health Care, Behavioral Health Continuum Infrastructure Program (BHCIP) funding in the amount of Two Million Nine Hundred Fourteen Thousand Two Hundred and Twenty-Four Dollars (\$2,914,224), and (iv) a State of California Department of Social Services Community Care Expansion Grant in the amount of Seven Million Dollars (\$7,000,000), and any other financing to be made to Borrower in accordance with Section 9.22 of this Agreement, which financing shall be senior in priority to the County CCP Loan.

- i. “Term” means the period of time commencing on December 13, 2022 (the “Effective Date”), and terminating on the date that is thirty (30) years after the Effective Date.

7. PAYMENTS. The entire principal amount of this County CCP Loan Promissory Note shall be due and payable in accordance with the provisions of Section 5, above.

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

9. DEFAULT AND ACCELERATION. This County CPP Loan Promissory Note is secured by the County CCP Loan Deed of Trust. All covenants, conditions and agreements

contained in the County CCP Loan Deed of Trust and the County CCP Loan Agreement are hereby incorporated herein by this reference and made a part of this County CCP Loan Promissory Note. Borrower agrees that the principal amount of this County CCP Loan Promissory Note shall, at the option of Lender, be immediately due and payable upon any event of default as defined in the County CCP Loan Agreement which has not been cured pursuant to that County CCP Loan Agreement, including without limitation the failure of Borrower to make any payment when due. Upon any event of default, Lender may exercise any other right or remedy permitted under this County CCP Loan Promissory Note and the County CCP Loan Documents.

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

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

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

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

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

LENDER: County of Santa Barbara
Department of Probation
117 E. Carillo St.
Santa Barbara, CA 93101
Attn: Chief Financial Officer

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

BORROWER: Sanctuary Centers
222 West Valerio Street
Santa Barbara, CA 93101
Attn: Chief Executive Officer

With Copy to: Sanctuary Centers

P.O.Box 551
Santa Barbara, CA 93102
Attn: Chief Executive Officer

With copy to: Mullen and Henzel, LLP
12 East Victoria Street
Santa Barbara, CA 93101
Attn: Graham Lyons, Esq.

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

16. **GOVERNING LAW.** This County CCP Loan Promissory Note shall be interpreted under and governed by the laws of the State of California, except for those provisions preempted by federal law.

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

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

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

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

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

County CCP Loan Promissory Note as demand for money within the meaning and intentment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto.

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

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

Signature appears on following page. No further text appears here.

Exhibit E

NO FEE DOCUMENT

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

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

NO FEE DOCUMENT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTION 27383

COUNTY COMMUNITY CORRECTIONS PARTNERSHIP (CCP), LOAN REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

This County CCP Loan Regulatory Agreement and Declaration of Restrictive Covenants (this “Agreement”) is made as of this 13TH day of December, 2022 by and between the County of Santa Barbara, a political subdivision of the State of California (the “Lender”), and Sanctuary Centers of Santa Barbara, Inc., a California non-profit public benefit corporation, whose address is P.O. Box 551, Santa Barbara, CA 93102 (the “Owner”).

RECITALS

A. The Owner owns a parcel of real property located at 115 West Anapamu Street, Santa Barbara, California as more particularly described in Exhibit A (the “Property”) upon which the Owner intends to construct thirty-four (34) affordable studio apartment rental units to provide permanent housing for CCP individuals and households (the “Project”).

B. Owner has received a loan from Lender of CCP Funds in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) to provide financing for the Project (the “County CCP Loan”).

D. As further consideration for such funding, and to further the interests of the Lender, the Owner has agreed to enter into and record this Agreement. The purpose of this Agreement is to regulate and restrict the occupancy, rents, operation, the ownership, and management of the Project. The covenants in this Agreement are intended to run with the land and be binding on the Owner and its successors and assigns with respect to the Property.

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

1. DEFINITIONS

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

1.0 **“COUNTY CCP LOAN”** means the loan of CCP Funds in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) made by the Lender to the Owner to finance certain development costs of the Project pursuant to the County CCP Loan Agreement and the County CCP Promissory Note.

1.1 **“COUNTY CCP LOAN AGREEMENT”** is that certain loan agreement by and between the Owner and the Lender on or about the date hereof, setting forth the terms and conditions governing the County CCP Loan.

1.2 **“COUNTY CCP LOAN DEED OF TRUST”** means that certain deed of trust, assignment of rents, and security recorded against the Property and the improvements to be constructed thereon as security for the County CCP Loan, with the Owner as trustor and the Lender as beneficiary, as may be amended from time to time.

1.3 **“COUNTY CCP LOAN DOCUMENTS”** means, collectively, the County CCP Loan Agreement, the County CCP Promissory Note evidencing the County CCP Loan, the County CCP Deed of Trust securing the County CCP Loan Note, and this Regulatory Agreement, including all exhibits and attachments hereto and thereto, as such documents may be amended from time to time.

1.4 **“COUNTY CCP LOAN NOTE”** means the promissory note executed by the Owner in favor of the Lender in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000), evidencing the County CCP Loan, and which is secured by the County CCP Loan Deed of Trust, as such note may be amended from time to time.

1.5 **“HOMELESS”** has the same meaning as defined in Section 578.3 of Title 24 of the Code of Federal Regulations.

1.6 **“CCP-ASSISTED UNIT”** means one the sixteen (16) studio rental Units on the Property designated by the Owner as units with restricted occupancy and rents pursuant to and subject to the requirements of this Agreement. A Unit shall not be considered a CCP-Assisted Unit until the Unit has been constructed and made available for occupancy.

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

1.8 **“OWNER”** means Sanctuary Centers of Santa Barbara, Inc., a California non-profit public benefit corporation.

1.9 **“PROJECT”** means the acquisition, construction, operation and management of the Property and the improvements to be constructed thereon in accordance with the County CCP Loan Documents.

1.10 **“PROPERTY”** means the property located at 115 West Anapamu Street in the City of Santa Barbara, California, as more particularly described in Exhibit A, attached hereto and incorporated herein, including the improvements constructed thereon pursuant to the County CCP Loan Agreement.

1.11 **“QUALIFYING HOUSEHOLD”** means a household that qualifies as Homeless in accordance with Section 1.5 of this Agreement, and which has been referred by the Santa Barbara County Probation Department.

1.12 **“QUALIFYING RENT”** means the total monthly charges for rent, which shall not exceed thirty percent (30%) of the applicable Qualifying Household’s gross annual income, adjusted for family size as published annually by the U.S.Department of Housing and Community Development (HUD) for the Santa Maria/Santa Barbara Metropolitan Statistical Area. Occupants’ share of the cost of utilities must be included in the maximum rent.

1.13 **“TENANT”** means a household occupying a Unit that meets the definition of Qualifying Household.

1.14 **“TERM”** means the period of time during which the CCP-Assisted Units must meet the affordability requirements imposed under the CCP Program, as described in Section 2.2 of this Agreement.

1.15 **“UNIT”** means a housing unit in the Project.

2. TERM AND COMPLIANCE

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

2.2 **TERM OF AGREEMENT.** This Agreement shall commence on the earlier of a) the date of recordation of this CCP Loan Regulatory Agreement, or b) the date the Project is completed, as evidenced by a notice of completion provided to the Borrower by the County of Santa Barbara, and shall terminate thirty (30) years from the date of the issuance of a final Certificate of Occupancy by the City of Santa Barbara. The requirements of this Agreement shall apply throughout the Term without regard to the term of any loan or mortgage or any transfer of ownership of the Property.

2.3 **COMPLIANCE WITH CCP PROGRAM REQUIREMENTS.** The Owner shall comply at all times during the Term with all requirements imposed on projects assisted under the CCP Program in effect as of the first date that the County CCP Loan Agreement is executed by all

parties thereto, and as such CCP Program requirements may be amended from time to time (“CCP Program Requirements”).

3. PROJECT OCCUPANCY AND RENTS

3.1 OCCUPANCY OF PROJECT. Sixteen (16) studio apartment Units in the Project shall be designated as CCP-Assisted Units. The CCP-Assisted Units must be occupied, or reserved for occupancy, by Qualifying Households.

3.2 CCP-ASSISTED UNITS. The Owner shall limit occupancy of the CCP-Assisted Units, for the full Term of this Agreement, to Qualifying Households at Qualifying Rents that do not exceed the maximum rental charges for each CCP-Assisted Unit as set forth in Section 1, above.

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

3.3 MAXIMUM RENTAL CHARGES.

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

B. The Qualifying Rent for each CCP-Assisted Unit shall be set by the Borrower at the time of initial occupancy of the Project. Annual increases in Qualifying Rents shall be calculated based on the change in Area Median Income published annually by HUD. Tenants of CCP-Assisted Units shall be given at least thirty (30) days written notice prior to any increase in Qualifying Rents, consistent with State law.

3.4 OCCUPANCY DEADLINES. Owner shall ensure that the CCP-Assisted Units are occupied by Qualifying Households by no later than March 30, 2025.

3.5 INCOME CERTIFICATION. This section intentionally left blank.

4. LEASING THE PROJECT.

4.1 TENANT LEASES. The Owner shall execute a written lease with Tenants of each CCP-Assisted Unit for a term of at least 12 months, unless the Owner and the Tenant mutually agree to a shorter period; provided, however, that each such lease shall not be for a period less than thirty (30) days. Each such Tenant lease, and any changes thereto, must be approved in advance by Lender.

Owner shall not terminate a tenancy, or refuse to renew the lease, of a Tenant of a CCP-Assisted Unit except for serious or repeated violation(s) of the terms and conditions of such Tenant’s lease, for violation of applicable Federal, State, or local law, or for other failure to meet lease agreement

requirements. All efforts should be made to prevent termination of tenancy through connection to services and reasonable accommodations when available to terminate or refuse to renew the tenancy of a Tenant of a CCP-Assisted Unit, the Owner shall serve written notice upon such Tenant specifying the grounds for such action at least thirty (30) days prior to termination of tenancy.

4.2 **TENANT SELECTION.** Tenant selection for each vacant CCP-Assisted Unit shall be on a first Qualifying Household applicant basis.

4.3 **SECTION 8 CERTIFICATE HOLDERS.** The Owner shall accept as Tenants, on the same basis as all other prospective Tenants, persons who are recipients of federal certificates for rent subsidies pursuant to the existing housing program under Section 8 of the United States Housing Act, or its successor. The Owner shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective Tenants, nor shall the Owner apply or permit the application of management policies or lease provisions with respect to the Project which have the effect of precluding occupancy of Units by such prospective Tenants.

4.4 **NONDISCRIMINATION.** During the performance of this Agreement, the Owner and its subcontractors shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex (gender), sexual orientation, gender identity, gender expression, race, color, ancestry, religion, creed, national origin (including language use restriction), pregnancy, physical disability (including HIV and AIDS), mental disability, medical condition (cancer/genetic characteristics), age (over 40), genetic information, marital status, military and veteran status, and denial of medical and family care leave or pregnancy disability leave. The Owner and subcontractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. The Owner or subcontractors shall comply with the provisions of the Fair Employment and Housing Act (Government Code section 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. The Owner and its subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

5. PROPERTY MANAGEMENT

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

5.2 APPROVAL OF MANAGEMENT POLICIES. The Owner shall submit its written management policies with respect to the Project to the Lender for Lender review and approval, and shall amend such policies in any way requested by Lender as necessary to ensure that such policies comply with the provisions of this Agreement, the CCP Program Requirements.

5.3 INSPECTION AND RECORDS. The Owner shall maintain records which clearly document the Owner's performance of its obligations to operate the Property under the terms of this Agreement. The Owner shall submit all requested records to the Lender within ten (10) business days of the Lender's request. The Owner shall permit the Lender to enter and inspect the Property for compliance with Owner's obligations under this Agreement upon twenty-four (24) hours advance notice of such visit by the Lender to the Owner or the Owner's Property manager and to Tenants of any Units.

5.4 COMPLIANCE MONITORING. The Owner shall operate the Property in full compliance with this Agreement and all State and local building, safety, and occupancy laws and regulations, and CCP Program Requirements in effect during the Term, and shall remain in compliance therewith throughout the Term of this Agreement. The Owner shall permit the Lender to conduct compliance monitoring, including performing on-site records review and inspections of the Property, as required by regulation or reasonably requested by Lender.

5.5 ANNUAL REPORT. The Owner shall submit to the Lender annually, no later than March 1st of each year during the Term, a report in a form approved by Lender for the preceding period of January 1st through December 31st, containing the information requested by Lender so as to allow the Lender to determine the Owner's compliance with this Agreement. The report shall include, at a minimum: (i) an Annual Financial Statement, as defined in Section 1.1 of the County CCP Loan Agreement, (ii) a report on the occupancy of the Project, (iii) a report on the physical condition of the Project, (iv) a report on the general management of the Project, and (v) for each CCP-Assisted Unit, the rent, documented eligibility of the occupant as a Qualifying Household. The report shall also state the date the tenancy commenced for each CCP-Assisted Unit and such other information as the Lender may be request.

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

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

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

5.8 MAINTENANCE OF EXISTING STRUCTURES. Owner shall maintain all buildings on the Property in good condition, in good repair and in a decent, safe, sanitary, habitable and tenable condition. All Units in the Project must meet the standards set out in 24 CFR 92.251(f)(2) throughout the Term of this Agreement. Owner shall not cause or permit any violations of any laws, ordinances, regulations, covenants, conditions, restrictions, or equitable servitudes as they pertain to improvements, alterations, maintenance or demolition on the Property. Lender shall have no responsibility over maintenance of the Property.

6. GENERAL PROVISIONS

6.1 SUBORDINATION. County may, at the its sole discretion, agree to subordinate this Agreement to one or more of the Senior Loans as specified in the County CCP Loan Agreement, and the lien of any deed of trust or mortgage securing the Senior Loans. In the event of refinancing any loan referenced in the CCP Loan Agreement, the County may subordinate the County CCP loan; however, the County may require that this Agreement not be subordinated and shall remain in full force and effect.

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

- A. Bring an action in equitable relief seeking the specific performance by the Owner of the terms and conditions of this Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;
- B. Enter upon, take possession of, and manage the Property and the Project, either in person, by agent, or by a receiver appointed by a court, and collect any rents, income, deposits, or reserves and apply them to operate the Property;
- C. After notice provided for herein, make such repairs or replacements to the Property and Project as are necessary and provide for payment thereof; or
- D. Pursue any other remedy provided under the County CCP Loan Documents or allowed at law or in equity.

6.3 EVENT OF DEFAULT. In the event that the Project fails to meet the affordability requirements included in this Agreement for the Term of the Agreement, subject to applicable notice and cure periods contained herein, this shall constitute an Event of Default under Sections 8.1.D, 8.1.E, and/or 8.1.I of the County CCP Loan Agreement.

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

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

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

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

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

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

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

Lender: County of Santa Barbara
Housing and Community Development
123 E Anapamu Street, Room 202
Santa Barbara, CA 93101
Attn: Deputy Director

With copy to: Office of County Counsel
County of Santa Barbara
105 E Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: County Counsel

Owner: Sanctuary Centers of Santa Barbara, Inc.
P.O Box 551
Santa Barbara, CA 93102
Attn: CEO

6.11 BINDING UPON SUCCESSORS. This Agreement shall be recorded and all provisions of this Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of the Owner, and the Lender, and shall run with the land for the full Term of this Agreement, regardless of any

assignment, payment, prepayment, expiration, extinguishment of the County CCP Loan or County CCP Loan Note, any reconveyance of the County CCP Loan Deed of Trust, or any conveyance or transfer of the Property or portion thereof.

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

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

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

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

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

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 039-222-002

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SANTA BARBARA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

That portion of Block 126 in the City of Santa Barbara, County of Santa Barbara, State of California, described as follows:

Lot 7 as designated and shown on the plat or map and report filed in the Superior Court of said County of Santa Barbara, in the Partition Suit of Eugene S. Upson vs Julia E. VanSlyke, et ux., August 18, 1898, the Final Decree of Partition in said suit being rendered August 31, 1898, and a copy thereof filed in the Office of the County Recorder of said Santa Barbara County on the 31st day of August 1898, and recorded in Book 65 of Deeds, Page 132, said Lot 7 being particularly described as follows:

Commencing at a point marked by an iron pin driven into the ground on the Southeasterly line of Anapamu Street 170 feet Southwesterly from the North corner of Block 126 as per Official Map of the City of Santa Barbara, California, at the West corner of a 15 foot alley, and running thence Southwesterly along the said line of Anapamu Street 55 feet to an iron pin driven into the ground, thence at a right angle Southeasterly along the line of another 15 foot alley into said Block 200 feet to an iron pipe driven into the ground, thence at right angles Northeasterly 55 feet to an iron pipe driven into the ground and the Southwesterly line of said first mentioned 15 foot alley, thence at a right angle Northwesterly along the Southwesterly line of said alley 200 feet to the place of beginning.

Indemnification and Insurance Requirements (For Professional Contracts)

INDEMNIFICATION

SUBRECIPIENT 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 prohibited by law. SUBRECIPIENT's indemnification obligation applies to COUNTY's active as well as passive negligence but does not apply to COUNTY's sole negligence or willful misconduct.

NOTIFICATION OF ACCIDENTS AND SURVIVAL OF INDEMNIFICATION PROVISIONS

SUBRECIPIENT shall notify COUNTY immediately in the event of any accident or injury arising out of or in connection with this Agreement. The indemnification provisions in this Agreement shall survive any expiration or termination of this Agreement.

INSURANCE

SUBRECIPIENT 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 performance of the work hereunder and the results of that work by the SUBRECIPIENT, his agents, representatives, employees or subcontractors.

A. Minimum Scope of Insurance

Coverage shall be at least as broad as:

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 \$1,000,000 per occurrence and \$2,000,000 in the aggregate.
2. **Automobile Liability:** ISO Form Number CA 00 01 covering any auto (Code 1), or if SUBRECIPIENT has no owned autos, hired, (Code 8) and non-owned autos (Code 9), with limit no less than \$1,000,000 per accident for bodily injury and property damage.
3. **Workers' Compensation:** 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. **Professional Liability (Errors and Omissions)** Insurance appropriate to the SUBRECIPIENT'S profession, with limit of no less than \$1,000,000 per occurrence or claim, \$2,000,000 aggregate.

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

EXHIBIT F

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 SUBRECIPIENT 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 SUBRECIPIENT's insurance at least as broad as ISO Form CG 20 10 11 85 or if not available, through the addition of both CG 20 10 and CG 20 37 if a later edition is used).
2. **Primary Coverage** – For any claims related to this Agreement, the SUBRECIPIENT's insurance coverage shall be primary insurance as respects COUNTY, its officers, officials, employees, agents and volunteers. Any insurance or self-insurance maintained by COUNTY, its officers, officials, employees, agents or volunteers shall be excess of the SUBRECIPIENT'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 COUNTY.
4. **Waiver of Subrogation Rights** – SUBRECIPIENT hereby grants to COUNTY a waiver of any right to subrogation which any insurer of said SUBRECIPIENT may acquire against COUNTY by virtue of the payment of any loss under such insurance. SUBRECIPIENT agrees to obtain any endorsement that may be necessary to effect this waiver of subrogation, but this provision applies regardless of whether or not 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 COUNTY. COUNTY may require the SUBRECIPIENT to purchase coverage with a lower deductible or retention or provide proof of ability to pay losses and related investigations, claim administration, and defense expenses within the retention.
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** – SUBRECIPIENT shall furnish 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 COUNTY before work commences. However, failure to obtain the required documents prior to the work beginning shall not waive the SUBRECIPIENT's obligation to provide them. The SUBRECIPIENT shall furnish evidence of renewal of coverage throughout the term of the Agreement. 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.

EXHIBIT F

9. **Subcontractors** – SUBRECIPIENT shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and SUBRECIPIENT shall ensure that COUNTY is an additional insured on insurance required from subcontractors.
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 SUBRECIPIENT 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 special circumstances.

Any change requiring additional types of insurance coverage or higher coverage limits must be made by amendment to this Agreement. SUBRECIPIENT 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.