DISPOSITION AND DEVELOPMENT AGREEMENT
(617, 625 & 637 West La Veta Avenue)

By and Between

THE CITY OF ORANGE, CALIFORNIA

and

SHELTER PROVIDERS OF ORANGE COUNTY, INC.
[dba HOMEAID ORANGE COUNTY]

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ATTACHMENTS

DISPOSITION AND DEVELOPMENT AGREEMENT

This DISPOSITION AND DEVELOPMENT AGREEMENT (the "Agreement"), dated as of _____, 20__, is entered into by and between THE CITY OF ORANGE, a municipal corporation, (the "City"), and SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation doing business as HOMEAID ORANGE COUNTY (the "Developer"). The City and Developer agree as follows:

RECITALS

A. City currently owns fee title to that certain real property in the City of Orange commonly known as 617, 625 and 637 West La Veta Avenue, described in the Legal Description attached hereto as Attachment No. 1 (the "Property").

B. Developer proposes to acquire the Property, rehabilitate the three (3) dwelling units currently located on the Property, construct an additional three (3) accessory dwelling units and ancillary facilities on the Property (collectively the three (3) dwelling units to be rehabilitated and the three (3) dwelling units to be constructed are referred to in this Agreement as the "Units"), and upon Completion thereof (as defined below) to Lease such Units exclusively to Very Low-Income Occupants at a leasing rate such that their total Rental Cost will not exceed an Affordable Rental Cost, all in accordance with the terms and conditions of this Agreement, including all attachments hereto and including all applicable historic standards of the City (the "Project").

C. Subject to and conditioned on the terms and conditions of this Agreement, the City will accept a purchase money note in payment for the purchase price of the Property, which note will be repaid by Developer pursuant to the terms set forth herein (the "City Acquisition Loan").

D. Developer may, or may not, elect to pursue qualification (by the County of Orange) as a Section 8 Landlord as required to permit Occupants to utilize Section 8 vouchers to pay a portion of their rental obligations.

E. The construction, rehabilitation, development and Leasing and operation of the Units is to be financed in substantial accordance with the Method of Financing reasonably approved by the City in accordance with Section 2.12 below.

F. In furtherance of the public purposes set forth in the laws of the State of California to provide for and facilitate urgently needed affordable housing, the City desires to sell the Property to Developer subject to the terms and conditions of this Agreement.

G. The sale and use of the Property pursuant to this Agreement, and the fulfillment generally of this Agreement are in the vital and best interests of the City of Orange and the health, safety,

morals and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements.

Now, therefore, in consideration of their mutual promises set forth herein, City and Developer hereby agree as follows:

ARTICLE 1 SUBJECT OF AGREEMENT

Section 1.1 Definitions

For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Acquisition Price" means the amount specified in Section 2.1 below, which Acquisition Price shall be paid to the City as specified therein.

"Affordable Rental Cost" means a total Rental Cost (less any applicable subsidies) that will not exceed an amount equal to (i) the product of 30 percent times (ii) 50% of the Area Median Income (adjusted for family size appropriate to the Unit). As used in this paragraph, "family size appropriate to the Unit" shall mean that number of persons equal to (a) for a studio unit, not more than two adults; and (b) for all other units, two persons per each bedroom in the Unit plus one additional person.

"Area Median Income" means the median income of the Los Angeles-Long Beach-Anaheim CA HUD Metro FMR Area, adjusted for household size by the United States Department of Housing and Urban Development.

"City" means the City of Orange, California, a municipal corporation.

"City Acquisition Loan" means a mortgage loan to the Developer from City in the amount of the Acquisition Price for the Property, less the Good Faith Deposit or any other cash deposits delivered into Escrow by Developer prior to Closing. The City Acquisition Loan shall be evidenced by the City Acquisition Loan Note substantially in the form of Attachment No. 12 hereto and shall be secured by, among other things, the City Acquisition Loan Deed of Trust substantially in the form of Attachment No. 13.

"City Acquisition Loan Deed of Trust" means the deed of trust on the Property which secures the City Acquisition Loan, in substantially the form attached hereto as Attachment No. 13. In the event Developer obtains any Construction Loan, subject to the prior written approval of the City Manager or designee, which approval shall not be unreasonably withheld, the City Acquisition Loan Deed of Trust and all other obligations of Developer in connection with the City Acquisition Loan will be subordinated to any Deed of Trust securing such Construction Loan.

"City Acquisition Loan Note" means the promissory note evidencing the City Acquisition Loan in substantially the form attached hereto as Attachment No. 12, providing for the repayment of the City Acquisition Loan, including principal and simple interest on unpaid principal in the amount of one-quarter of one percent (0.25%) per annum commencing upon Completion. The City Acquisition Loan shall be repaid from residual rental income from the Property and subject to such other terms and conditions as may be set forth in the Method of Financing. The City Acquisition Loan Note shall mature and be fully due and payable on the date which is thirty (30) years after Completion provided that the City Acquisition Loan Note may be prepaid, in full or in part, at any time prior to maturity without any prepayment penalty.

"City Encumbrances" means the City Acquisition Loan Deed of Trust, the City Grant Deed and the Regulatory Agreement.

"City Grant Deed" means the instrument by which the City shall convey title to the Property to Developer subject to the covenants and conditions set forth therein, substantially in the form attached hereto as Attachment No. 4.

"Closing" shall have the meaning set forth in Section 2.3.a below.

"Closing Date" means the date of recordation of the City Grant Deed.

"Completion" means the point in time when all of the following shall have occurred: (1) issuance of a certificate of occupancy by the City of Orange; (2) recordation of a Notice of Completion by Developer or its contractor; (3) certification by the Developer's architect that the Improvements (with the exception of minor "punch list" items) have been completed in a good and workmanlike manner and substantially in accordance with the City approved plans and specifications; and (4) any mechanic's liens that have been recorded or stop notices that have been delivered have been paid, settled or otherwise extinguished, discharged, released, waived, bonded around or insured against.

"Developer" shall have the meaning set forth in Section 1.4 below.

"Due Diligence Documents" means all studies, reports, records, correspondence and other written materials regarding the Property that are to the actual knowledge of the City in the City's possession (which for purposes of this definition shall be deemed the knowledge of the City Manager and/or Director of Public Works or any of the staff thereof).

"Due Diligence Period" means the period commencing upon the Effective Date and expiring on the date which is 180 days thereafter, provided that if the City fails to deliver any Due Diligence Documents to Developer within thirty (30) days after the Effective Date, the Due Diligence Period shall be extended by the number of days between the expiration of such 30-day period and Developer's receipt of all required Due Diligence Documents.

"Effective Date" shall have the meaning set forth in Article 8 below.

"Escrow Agent" means Fidelity National Title Company, or another escrow company acceptable to the City Manager.

"Escrow Instructions" means escrow instructions included in this Agreement and any supplemental escrow instructions required by Escrow Agent or otherwise mutually acceptable to Developer and the City.

"Force Majeure" or "Force Majeure Event" means the following events, provided that they actually delay and interfere with the timely performance of the matter to which they would apply and despite the exercise of diligence and good business practices are or would be beyond the reasonable control of the party claiming such interference: Acts of terrorism; war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation including litigation challenging the validity of this transaction or any element thereof (including any Governmental Approvals or Permits to be issued for the Project as contemplated herein); unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor, or suppliers; acts of the other party; acts or failure to act of any Governmental Authority (except acts or failure to act of the City in any capacity shall not excuse performance by the City); the imposition of any applicable moratorium by a Governmental Authority; or any other causes which despite the exercise of diligence and good business practices are or would be beyond the reasonable control of the party claiming such delay and interference. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Event unless and until the party claiming such delay and interference delivers to the other party written notice describing the event, its cause, when and how such party obtained knowledge, the date the event commenced, and the estimated delay resulting therefrom. Any party claiming a Force Majeure Delay shall deliver such written notice within fifteen (15) business days after it obtains actual knowledge of the event.

"Force Majeure Delay" means any delay in taking any action required by this Agreement, proximately caused by the occurrence of any Force Majeure Event.

"Form of Lease" means the form of lease to be entered into between Developer and Occupants of the Units, substantially in the Form of Lease attached hereto as Attachment No. 7, which is incorporated herein by this reference, as such Form of Lease may be modified from time to time consistent with the terms and provisions of the Regulatory Agreement. Developer shall provide prior written notice to the City of any such modifications to the Form of Lease.

"Governmental Approvals" means and includes any and all general plan amendments, zoning approvals or changes, required approvals and certifications under the National Environmental Policy Act, the California Environmental Quality Act, tentative and final tract maps, variances, conditional use permits, demolition permits, excavation/foundation permits, grading permits, building permits, inspection reports and approvals, certificates of occupancy, and other approvals, permits, certificates, authorizations, consents, orders, entitlements, filings or

registrations, and actions of any nature whatsoever required from any Governmental Authority in order to commence and complete the construction of the Project and permit occupancy of the Units following Release of the Construction Covenants.

"Governmental Authority" means the United States, the State of California, the County of Orange, the City of Orange or any other political subdivision in which the Property is located, and any court or political subdivision, agency or instrumentality having jurisdiction over the Property.

"Hazardous Substances" means any oil or other petroleum products, explosives, asbestos, urea formaldehyde insulation, mold, radioactive materials, hazardous wastes, toxic or contaminated substances or similar materials, including, without limitation, any substances which are "hazardous substances," "hazardous wastes," "hazardous materials," "toxic substances," "wastes," "regulated substances," "industrial solid wastes," "pollutants" or "contaminates" under any applicable environmental laws, ordinances and regulations.

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

"Improvements" or "Units" means the six dwelling units and ancillary facilities to be rehabilitated and constructed on the Property by Developer in accordance with this Agreement.

"Lease" means the lease of a Unit by Developer to a Very Low Income Household for a minimum term of six (6) months pursuant to a lease substantially with the form and content of the Form of Lease (Attachment No. 7).

"Method of Financing" means Developer's proposed method of obtaining financing, through grants, equity, pledged contributions, donated labor and materials and/or third-party construction financing, which Method of Financing shall contain such information as may be required by Attachment No. 2 to this Agreement, which is incorporated herein by this reference.

"New Developer" shall have the meaning set forth in Section 1.4(c) below.

"Occupant" means the person or persons entering into a Lease with Developer and any occupants of the Unit subject thereto, provided that Occupants shall be limited to persons whose total household income does not exceed the Very Low Income threshold.

"Outside Closing Date" means the date which is twelve (12) months after expiration of Developer's Due Diligence Period.

"Permitted Exceptions" means those encumbrances, liens, taxes, assessments, easements, rights of way, leases, covenants, agreements or other exceptions affecting title to the Property as of the date of recordation of the City Grant Deed which are not disapproved in writing by the Developer, provided that Developer shall have no right to disapprove any easements or covenants which would not adversely affect the ability of Developer to develop, operate and lease the Property in accordance with this Agreement.

"Permitted Transfer" means assignment of all or any part of this Agreement or any right therein, or the sale, agreement to sell, transfer, conveyance or assignment of the Property or any portion thereof or interest therein to any of the following:

a. A New Developer Entity, as defined in Section 1.4 (b) below;

b. A partnership, limited liability company or other form of joint venture in which (1) Developer, (2) an entity controlled by Developer, (3) a New Developer Entity, or (4) any combination thereof is the general partner, limited liability company manager or managing member thereof or is otherwise in control of all day-to-day operations thereof;

c. The admission of any additional new general or limited partners, limited liability company members or the substitution or deletion of general partners or managers or managing members of any such partnership, limited liability company or joint venture set forth in b. above, so long as (1) Developer, (2) an entity solely controlled by Developer, (3) a New Developer Entity, or (4) any combination thereof, continues in control of all day-to-day operations thereof;

d. A corporation that is owned and that is controlled by (1) Developer, (2) an entity controlled by Developer, (3) a New Developer Entity, or (4) any combination thereof;

e. The granting of easements, licenses or permits reasonably necessary to facilitate the development and occupancy of the Property;

f. A pledge or collateral assignment of this Agreement to any lender providing a Construction Loan for the Project or any refinancing of Developer's indebtedness arising therefrom;

g. The transfer or conveyance of all or any portion of the Property by foreclosure of any deed of trust or by transfer in-lieu-of foreclosure thereof, and a subsequent transfer or conveyance of all or any portion of the Property to a third party transferee, provided that the Property shall, at all times thereafter, remain subject to the Regulatory Agreement; and

h. The Lease of any Unit in accordance with the Regulatory Agreement and other terms of this Agreement.

Except as otherwise provided herein, any transfer described in clauses a. through f., the foregoing Permitted Transfers shall not require the approval of the City Manager or designee. Developer shall provide written notice to the City Manager of any Lease, as described in clause g., which contains material modifications from the Form of Lease, which modified Lease shall in any event be consistent with the provisions of this Agreement and the Regulatory Agreement.

"Plans" means any architectural and construction plans and drawings prepared on behalf of Developer for the Project in accordance with this Agreement and approved by the City.

"Project" means the financing, planning, construction and use of the Property as provided in this Agreement.

"Property" means the real property, including all improvements thereon, legally described as set forth in Attachment No. 1.

"Regulatory Agreement" means the Regulatory Agreement attached to this Agreement as Attachment No. 10, which is incorporated herein by this reference.

"Release of Construction Covenants" shall have the meaning set forth in Section 3.13 of this Agreement.

"Rental Cost" shall have the meaning set forth in Title 25 California Code of Regulations Section 6918.

"Restricted Period" shall mean the term of the covenants set forth in the Regulatory Agreement, which shall commence on the date the Release of Construction Covenants is recorded and shall continue for a period of fifty-five (55) years thereafter.

"Schedule of Performance" shall refer specifically to the schedule attached hereto as Attachment No. 3 setting forth the Scheduled Closing Date and the Outside Closing Date as well as target dates by which Developer intends to (i) submit applications for a Permit and other required Governmental Approvals, (ii) commence construction of the Project, (iii) achieve Completion and (iv) enter into Leases with Occupants for occupancy of the Units hereof. All dates set forth in the Schedule of Performance shall be subject to extension due to Force Majeure Delays as set forth in Section 6.4 below.

"Scheduled Closing Date" shall mean the date which is thirty (30) days after satisfaction of the conditions for Developer's benefit specified in Section 2.2.b.1(b) and Section 2.2.b.1(c) of this Agreement.

"Scope of Development" shall refer specifically to Attachment No. 5 hereof.

"Section 8 Qualification" means the qualification of Developer as a "Section 8 Landlord" as required to permit issuance by the County of Orange Section 8 Program (or commitment to issue) of rental vouchers to prospective Occupants to subsidize a portion of the rental obligations of the Occupants under the Leases.

"Title Company" means Fidelity National Title Company, or another title insurance company approved by the City Manager or designee.

"Transfer" means the assignment of all or any part of this Agreement or any right therein, or the sale, agreement to sell, lease, transfer, conveyance, or assignment of the Property or any portion thereof or interest therein other than pursuant to a Permitted Transfer.

"Very Low Income" means a household income that does not exceed fifty percent (50%) of the Area Median Income, adjusted for family size appropriate for the Unit.

"Very Low Income Household" means any person or persons residing as a single family unit with a total household income not exceeding the Very Low Income threshold.

Section 1.2 Purpose of Agreement

a. The purpose of this Agreement is to provide affordable housing opportunities in the City for Very Low Income Households by providing for the sale of the Property to Developer, the rehabilitation and construction of the Units thereon by Developer and the leasing of each Unit to a Very Low Income Household at a rate such that the total Housing Cost of any such Very Low Income Household will not exceed an Affordable Rental Cost, all in accordance with the terms and conditions of this Agreement.

b. Subject to the terms and conditions of this Agreement, the City will sell the Property to Developer, and Developer will rehabilitate and construct the Improvements, lease the Units to Very Low Income Households pursuant to Leases in substantial conformance with the Form of Lease, and operate and maintain the Project. The sale of the Property and the rehabilitation, construction, use and operation of the Units pursuant to this Agreement, and the fulfillment generally of the purposes of this Agreement, are in the public interest and in accord with applicable federal, state and local laws and requirements.

c. By this Agreement, and subject to the terms and conditions herein, the City desires to finance the Acquisition Price for the Developer's purchase of the Property in the form of the City Acquisition Loan to the Developer as set forth in the Method of Financing, to be evidenced by the City Acquisition Loan Note and secured by the City Acquisition Loan Deed of Trust.

d. In the event that any general provision of this Section 1.2 conflicts with any specific provision of this Agreement, the specific provision shall prevail.

Section 1.3 The City

a. The City is a municipal corporation, organized and existing under the Charter of the City and the Constitution of the State of California. The principal office of the City is located at 300 East Chapman Avenue, Orange, California 92866.

b. "City" as used in this Agreement includes the City of Orange, California and any assignee of or successor to its rights, powers and responsibilities.

Section 1.4 Developer

a. Developer is Shelter Providers of Orange County, Inc., a California nonprofit corporation doing business as HomeAid Orange County. The principal address of Developer is 1130 North Citrus Street, Orange, California 92679.

b. All references to "Developer" shall mean Developer and any assignee of, or successor to, the rights, powers and responsibilities of Developer permitted by this Agreement.

c. "New Developer Entity" shall mean an assignee of or successor to the Developer, provided that such New Developer Entity is a non-profit provider of affordable housing or other family support agency. Developer shall have the right to assign this Agreement and Developer's rights and obligations here under to a New Developer Entity subject only to the review and approval of the City Manager (or designee), in accordance with Section 6.6 below, of the New Developer Entity's qualifications, development experience and financial capability necessary and adequate to fulfill the obligations undertaken in this Agreement by Developer, and provided that the New Developer first expressly assumes in writing all of the obligations of the Developer under this Agreement and attachments thereto.

Section 1.5 Prohibition Against Transfers

a. The qualifications and identity of the Developer are of particular concern to the City. It is because of those qualifications and identity that the City has entered into this Agreement with the Developer. No voluntary or involuntary successor in interest of the Developer shall acquire any rights or powers under this Agreement except as expressly set forth herein.

b. Prior to the Completion of the development of the Property and the issuance of the Release of Construction Covenants by the City, and except for a Permitted Transfer, Developer shall not assign all or any part of this Agreement or make (or enter into any agreement to make) any total or partial sale, transfer, conveyance or assignment of the whole or any part of the Property or Improvements without the prior written approval of the City in accordance with Section 6.6 below. Any disapproval of a proposed transfer shall contain City's reasons for disapproval.

c. Intentionally omitted.

d. The Developer shall promptly notify the City of any and all changes whatsoever in the identity of the parties in control of the Developer.

e. Any such proposed transferee not otherwise constituting a Permitted Transferee shall have the qualifications and financial responsibility necessary and adequate, as reasonably determined by City, to fulfill the obligations undertaken in this Agreement by Developer. Any such proposed transferee, by instrument in writing satisfactory to City and in form

recordable among the land records, for itself and its successors and assigns, and for the benefit of City shall expressly assume all of the obligations of Developer under this Agreement and agree to be subject to all conditions and restrictions applicable to Developer in this Agreement. There shall be submitted to City for review all instruments and other legal documents proposed to effectuate any such transfer to confirm compliance with the requirements of this Section 1.5.e. City shall have the right to disapprove any proposed assignment of the rights of Developer hereunder which does not otherwise constitute a Permitted Transfer only if the proposed assignee does not have the qualifications, development experience or financial capability necessary and adequate to fulfill the obligations undertaken in this Agreement by Developer, or if the City Manager reasonably determines, in light of the public purposes of this Agreement, that such approval is not otherwise in the interest of the Project or the purposes of this Agreement. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions.

f. In the absence of specific written agreement by City, no unauthorized Transfer shall be deemed to relieve Developer or any other party from any obligations under this Agreement.

g. This prohibition shall not be deemed to prevent the granting of easements or permits to facilitate the development of the Property or to prohibit or restrict the lease of a Unit to a Very Low Income Household for occupancy in accordance with the terms and conditions of this Agreement and the Regulatory Agreement.

h. This prohibition shall not prevent and does not require written approval from City of the sale, transfer or conveyance of the Property that is a Permitted Transfer. In the case of any proposed Permitted Transfer, as defined in Section 1.1 of this Agreement, Developer shall submit to the City Manager or designee documentation reasonably demonstrating that the proposed assignment or transfer complies with the standards for a Permitted Transfer described in the definition of the term "Permitted Transfer" in Section 1.1 of this Agreement. Upon receipt of such documentation, City Manager or designee shall confirm to Developer and the proposed assignee or transferee in writing that such transfer complies with the standards set forth in the respective provisions of this Agreement. Notwithstanding the foregoing, no such notice or supporting documentation shall be required for any Lease of a Unit at the Project.

ARTICLE 2 DISPOSITION OF THE PROPERTY AND FINANCING OF THE PROJECT

Section 2.1 Sale and Purchase

In accordance with and subject to all the terms, covenants, and conditions of this Agreement, including the Method of Financing, the City agrees to sell the Property to the Developer and the Developer agrees to purchase the Property from the City and pay a purchase price for the Property of Seven Hundred Thousand Dollars ($700,000) (the "Acquisition Price"). The Acquisition Price shall be paid at Closing by (a) release of the Good Faith Deposit (and any

Extension Deposit, if applicable) to the City and (b) Developer's execution and delivery of the City Acquisition Loan Note to the City in an amount equal to the net balance due on the Acquisition Price, and Developer's execution in recordable form of the City Acquisition Loan Deed of Trust.

Section 2.1.1 Good Faith Deposit

Not later than the time provided in the Schedule of Performance, Developer shall deposit with the Escrow Agency a good faith deposit in cash in the amount of Five Thousand Dollars ($5,000) (the "Good Faith Deposit") to secure the performance of the obligations of Developer under this Agreement. Except as otherwise expressly provided in this Agreement the Good Faith Deposit shall be non-refundable to the Developer from and after expiration of the Due Diligence Period, and shall be applied to the Acquisition Price and released to the City at Closing.

Section 2.1.2 Due Diligence

Not later than thirty (30) days after the Effective Date of this Agreement, the City shall deliver to Developer (or otherwise make available to Developer through an on-line document repository) (i) true, complete and correct copies to all Due Diligence Documents and (ii) a preliminary title report (with underlying documents) for the Property dated not earlier than thirty (30) days prior to the Effective Date. During the Due Diligence Period, and provided Developer has timely deposited the Good Faith Deposit with the Escrow Agent as required by this Agreement, Developer shall have the right to conduct all inspections and tests to evaluate the condition of the Property as contemplated in Section 2.10 below and otherwise determine, to Developer's reasonable satisfaction, the feasibility of acquiring the Property pursuant to this Agreement for purposes of developing the Project thereon (including, without limitation, the feasibility of obtaining all requisite Governmental Approvals in accordance with the Schedule of Performance). Any such inspections and tests shall be performed by Developer pursuant to a license agreement with City pursuant to Section 2.11 of this Agreement. On or before the end of the Due Diligence Period, Developer may elect, in Developer's sole discretion, to deliver an Approval Notice to the City confirming approval of Developer's purchase of the Property and waiver of any further right to terminate this Agreement except as expressly set forth in this Agreement. Developer's failure to deliver the Approval Notice on or before expiration of Developer's Due Diligence Period shall be deemed Developer's election to terminate this Agreement pursuant to Section 5.8 below.

Section 2.1.3 City Acquisition Loan

a. In accordance with and subject to all the terms, conditions and covenants of this Agreement, City agrees to accept, and the Borrower agrees to deliver to the City, the City Acquisition Loan Note in payment of the balance of the Acquisition Price (less deposits) as set forth in the Method of Financing. Nothing in this Agreement shall obligate City to disburse any of its general funds for the City Acquisition Loan nor to make any expenditure in connection with the funding of the Project except as authorized pursuant to the City's budget process.

b. The City Acquisition Loan will be evidenced by the City Acquisition Loan Note and secured by the City Acquisition Loan Deed of Trust.

c. The City Acquisition Loan Deed of Trust will be senior to any other lien against or security interest in the Property or the Project except any Deed of Trust securing a Construction Loan or any refinancing thereof or any other financing obtained by Developer and approved by the City pursuant to Section 6.6 below. Without the express written consent of the City Manager, Developer shall not place any monetary encumbrances or permit any such monetary encumbrances to be placed, on or against title to the Property, including security interests that are subordinate to the City Acquisition Loan, other than a Deed of Trust securing a Construction Loan or any purchase money financing securing any appliances or equipment installed in the Units.

Section 2.2 Escrow

a. Opening of Escrow

Following the Effective Date, but not later than the date provided in the Schedule of Performance, City shall open an escrow for the sale of the Property with Escrow Agent and deliver to the Escrow Agent a fully-executed copy of this Agreement. Thereafter, Developer and the City shall execute and deliver to Escrow Agent any supplemental escrow instructions reasonably required by Escrow Agent or otherwise agreed to by the parties to consummate the sale of the Property to Developer as contemplated herein (the "Joint Escrow Instructions"); provided that neither the City nor the Developer shall have any obligation to execute any such additional or amended escrow instructions except to the extent necessary and consistent with this Agreement.

b. Conditions Precedent To The Closing

1. Developer's Conditions. Developer's obligation to purchase the Property from the City on the Closing Date shall be conditioned upon the satisfaction, or Developer's signed written waiver, of each of the following conditions precedent on or before the Scheduled Closing Date:

(a) Title Policy. Title Company will be irrevocably committed to issue the Title Policy for the conveyance of the Property to the Developer at the Closing upon payment of Title Company's premium.

(b) Governmental Approvals. Developer shall have obtained (or, subject only to payment of applicable fees, be in a position to obtain) all Governmental Approvals reasonably required for development of the Project on the Property and occupancy of the Units upon Completion thereof (other than approvals which, by their nature, cannot be obtained except in the course of, or upon Completion of, construction of the Project) and all appeals periods applicable to any such Governmental Approvals shall have expired without any challenge thereto (or if a challenge has been raised, such challenge shall have been finally resolved to permit development,

occupancy and operation of the Project in a feasible manner consistent with this Agreement, Developer's approved plans and specifications and proposed Method of Financing for the Project).

(c) Method of Financing. City shall have approved Developer's proposed Method of Financing for development of the Project in the reasonable discretion of the City Manager (or designee) and Developer shall have obtained all other commitments or approvals, including without limitation, qualification as a Section 8 Landlord, required to implement Developer's City-approved Method of Financing.

(d) City's Deliveries. City will have delivered to Escrow Agent, at or before the Closing Date, the City Grant Deed, and any other documents to be executed (and where required acknowledged) by City to consummate the transactions contemplated herein.

(d) City's Representations and Warranties. Each of the City's representations and warranties set forth in Section 2.14 shall be true and correct in all material respects as of the Closing.

(e) City's Performance. The City will have performed all of its material obligations required by this Agreement to be performed before the Closing.

(f) Possession of the Property. The Property shall be vacant, free of any leases, contracts, agreements or other rights of occupancy or possession on the part of any third parties which will be binding on the Property or any portion thereof after Closing, and the City shall have satisfied, at its sole expense, all statutory requirements application to removal of any occupants or termination of any such leases, contracts, agreements or other rights of occupancy or possession, if any. City shall indemnify, defend (with counsel of Developer's choosing which may be joint defense counsel upon City's and Developer's consent), and hold harmless Developer and all of its members, lenders, officers, employees, representatives, volunteers and agents from any and all alleged or actual claims, causes of action, liabilities, and damages asserted by any third party for relocation assistance, benefits and costs or other liabilities arising from termination of any prior leases, contracts, agreements or rights of occupancy or possession.

(g) Prohibitions. There shall be no prohibition or any other regulation or restriction, including, without limitation, any prohibition on the provision of or hook-up to public water or sewer facilities or on the issuance of water will-serve letters that would materially impair or delay development of the Project or occupancy of the Units upon Completion thereof.

(h) Developer's Closing Statement. Developer will have reasonably approved Developer's escrow closing statement.

2. City's Conditions. The City's obligation to sell the Property to Developer on the Closing Date shall be conditioned upon the satisfaction, or the City's signed written waiver, of each of the following conditions precedent on or before the Scheduled Closing Date:

(a) Title Policy. If requested by the City, Title Company will be irrevocably committed to issue the Title Policy for the City Acquisition Loan Deed of Trust to the City at the Closing upon payment of Title Company's premium.

(b) Developer's Deliveries. Developer will have delivered to Escrow Agent, at or before the Closing Date, the City Grant Deed, the City Acquisition Loan Note, the City Acquisition Loan Deed of Trust and the Regulatory Agreement executed and where required acknowledged by the Developer.

(c) Developer's Representations and Warranties. Each of Developer's representations and warranties set forth in Section 2.14 shall be true and correct in all material respects as of the Closing Date.

(d) Developer's Performance. Developer will have performed all of its material obligations required by this Agreement to be performed before the Closing Date.

(e) Evidence of Financing. Developer has submitted and the City has approved Developer's proposed Method of Financing and such supporting documents as may be reasonably required by the City pursuant to Section 2.12.

(f) Insurance Policies. Developer submits evidence of the insurance policies required by the DDA.

(g) Permits. All building permits required for the development of the Property by Developer pursuant to this Agreement shall be ready to be issued to Developer subject only to payment of applicable building permit and related fees and costs.

(h) City's Closing Statement. The City will have reasonably approved the City's escrow closing statement.

Section 2.3 Closing

a. The closing of Escrow for conveyance of title to the Property to Developer (the "Closing") will occur on or before the Outside Closing Date. City and Developer agree to perform all acts necessary to satisfy the conditions precedent to Closing set forth 2.2(b) above in sufficient time for Escrow to be closed in accordance with the Schedule of Performance.

b. Possession of the Property will be delivered to Developer concurrently with the Closing, except that access and entry may be granted before the Closing, as permitted pursuant to Section 2.11 of this Agreement.

Section 2.4 Form of Deed

At Closing, the City will convey to Developer title to the Property in the condition provided in Section 2.5 of this Agreement, by a City Grant Deed substantially in the form attached hereto as Attachment No. 4.

Section 2.5 Condition of Title

The City will convey to Developer fee simple merchantable title to the Property free and clear of all liens, encumbrances, assessments, easements, leases and taxes, subject only to the City Encumbrances and the Permitted Exceptions.

Section 2.6 Closing Date

a. The parties will use their best efforts to satisfy all conditions precedent to the Closing prior to the Scheduled Closing Date. Subject to satisfaction of all conditions precedent to the Closing, the Closing shall occur on or before the Scheduled Closing Date, provided that in no event shall the Closing occur later than the Outside Closing Date unless Developer exercises its option to extend the Closing as set forth in the following paragraph.

b. If any conditions precedent to Closing have not been satisfied on or before the Outside Closing Date, Developer shall have the one-time right to extend the Outside Closing Date for an additional three-months extension period upon ten days' prior written notice to the City and delivery of an additional deposit to Escrow Agent in the amount of Two Thousand Five Hundred Dollars ($2,500.00) ("Extension Deposit"), which Extension Deposit shall be non-refundable upon delivery but applicable to the Acquisition Price, except in the event of an uncured default of City or the failure of a closing condition in favor of Developer.

Section 2.7 Title Insurance

a. Concurrent with the Closing (and as a condition precedent thereto), the City shall cause the Title Company to issue the following title insurance policies: (1) to Developer a CLTA Developer's policy (the "Developer's Title Policy"), insuring that the title to the Property is vested in Developer in the condition required by Section 2.5 of this Agreement; and (2) if requested by the City, to City an ALTA Lender's policy (the "City's Title Policy"), insuring the first priority of the City Encumbrances. The Title Company will provide the Developer's Title Policy in the amount of the Acquisition Price for the Property, and the City's Title Policy in the amount of the City Acquisition Loan, each of which shall be effective as of the Closing Date.

b. The City will pay the cost of the title insurance premium for the Developer's Title Insurance Policy only to the extent of a standard coverage CLTA title insurance policy on the Property in the amount of the Acquisition Price. The City will also be responsible for paying the premium for the City's Title Insurance Policy if requested by the City and any additional title insurance, including any extended coverage or special endorsements the City may require. If the Developer desires to receive an ALTA policy insuring title to the Property, then the Developer shall pay for the difference in cost over and above a CLTA policy insuring title to the Property.

Section 2.8 Taxes and Assessments

Ad valorem taxes and assessments, if any, on the Property and taxes upon this Agreement or any rights hereunder levied, assessed, or imposed as to any period prior to the Closing shall be borne by the City. All ad valorem taxes and assessments levied or imposed on the Property as to any period after the Closing shall be paid by Developer.

Section 2.9 Possession of the Property

City shall convey title to the Property free of any possession and any right of possession except that of Developer, except as waived by Developer in writing.

Section 2.10 Condition of the Property

a. The Property will be conveyed in an "as is" condition, with no warranty, express or implied by the City as to the condition of the Property or the buildings situated thereon, its soil (or water) conditions, its geology, or the presence of known or unknown seismic faults or Hazardous Materials other than the express warranties set forth in Section 2.14 below.

b. Prior to Closing Developer will have the right and responsibility to conduct such testing and investigation as Developer may deem appropriate to evaluate the condition of all existing Improvements, fixtures and equipment located on or in the Property, existing utilities and utility infrastructure, soils and geologic conditions, the presence of known or unknown faults or other seismic conditions, or the presence of known or unknown Hazardous Substances, and any other matter Developer may deem reasonably necessary to fully evaluate the suitability of the Property for development and occupancy of the Project thereon. Developer's delivery of an Approval Notice pursuant to Section 2.1.2 shall constitute Developer's approval of the condition of the Property. From and after Closing, Developer shall be solely responsible for any work, including without limitation demolition, cleanup, grading, repairs to existing improvements and infrastructure that may be necessary to place the Property in all respects in a condition suitable for the development and occupancy of the Project thereon.

Section 2.11 Preliminary Work by Developer

Prior to the Closing, representatives of Developer will have the right of access to the Property at all reasonable times for the purpose of conducting the testing and investigations contemplated in Section 2.10 and otherwise obtaining any data, and making surveys and tests necessary to confirm suitability of the Property for development and occupancy of the Project. Such entry shall be subject to Developer's execution and delivery to the City of a written license agreement in a form reasonably acceptable to City, pursuant to which Developer will agree to indemnify and hold the City of Orange and its members, officers, employees, agents and contractors harmless for any injury or damages arising out of any activity of Developer, its agents, employees and contractors, performed and conducted on the Property pursuant to this Section 2.11,

except as the same may be due to the negligence or willful misconduct of City or due to Developer's discovery of pre-existing conditions on the Property. The license agreement shall further require Developer and any contractors, consultants or agents thereof entering onto the Property pursuant thereto, to provide all insurance specified therein, which insurance shall name the City as an additional insured and shall provide coverage against any liabilities arising from the activities of such party on the Property pursuant to the license agreement.

Section 2.12 Financing

Within the time established in the Schedule of Performance (Attachment No. 3), the Developer shall submit to the City a detailed description of Developer's proposed Method of Financing for the Project which proposed Method of Financing shall be consistent with the requirements of the Method of Financing attached to this Agreement as Attachment No. 2. Developer's proposed Method of Financing shall include evidence reasonably satisfactory to the City that the Developer has obtained firm and binding commitments for financing or contributions necessary for development of the Property in accordance with this Agreement, including, to the extent applicable, loan commitments for any required debt financing.

The City Manager (or designee) shall approve or disapprove such proposed Method of Financing within the time established in the Schedule of Performance. Such approval shall not be unreasonably withheld, conditioned or delayed. If the City shall disapprove any such Method of Financing, the City shall do so by written notice to the Developer stating the reasons for such disapproval. The City acknowledges and agrees that, due to changing circumstances beyond Developer's reasonable control, Developer may be required to modify Developer's Method of Financing following the Closing provided that any such changes to Developer's Method of Financing shall be subject to prior approval of the City Manager (or designee) in accordance with Section 6.6 below.

Section 2.13 Relationship of City and Developer

Nothing contained in this Agreement or in any other document or instrument made in connection with this Agreement shall be deemed or construed to create a partnership, tenancy in common, joint tenancy, joint venture or co-ownership by or between City and Developer. City shall not be in any way responsible or liable for the debts, losses, obligations or duties of Developer with respect to the Property from and after Closing, and Developer shall not be in any way responsible or liable for the debts, losses, obligations or duties of City with respect to the Property relating to any period prior to Closing, including any claims or liabilities arising from circumstances in existence or otherwise first occurring prior thereto.

Section 2.14 Representations and Warranties

a. As an inducement to City to enter into this Agreement, accept the City Acquisition Loan Note in payment of the Acquisition Price and convey the Property to Developer, Developer hereby represents and warrants to City, which representations and warranties are true

and correct as of the date of this Agreement and which shall survive the Closing, that to Developer's knowledge:

1. Developer has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and, subject to issuance of the Governmental Approvals, to perform all obligations of Developer under this Agreement or in any instrument or document referred to herein (referred to collectively as the "Developer's Obligations");

2. This Agreement and all documents required hereby to be executed by Developer are, and shall be, valid, legally binding obligations of and enforceable against Developer in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally;

3. There is no charter, bylaw, or capital stock provision of Developer, and no provision of any indenture, instrument, or agreement, written or oral, to which Developer is a party or which governs the actions of Developer or which is otherwise binding upon Developer or Developer's property, nor is there any statute, rule or regulation, or any judgment, decree, or order of any court or agency binding on Developer or Developer's property which would be contravened by the execution, delivery or performance of any of Developer's Obligations;

4. There is no action, suit, or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of Developer, threatened against or affecting Developer, or any properties or rights of Developer, which, if adversely determined, would materially impair the right of Developer to execute this Agreement or perform any of the Developer's Obligations hereunder;

5. Neither the execution and delivery of this Agreement and documents referenced herein, nor the incurrence of the Developer's Obligations, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and the documents referenced herein conflict with or result in the material breach of any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, partnership agreement, lease or other agreements or instruments to which Developer is a party;

6. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings of a similar nature are pending or threatened against Developer, nor are any of such proceedings contemplated by Developer;

7. To Developer's knowledge, all reports, documents, instruments, information and forms of evidence delivered to City concerning or required by this Agreement shall, at the time of delivery, be accurate, correct and sufficiently complete to give City true and

accurate knowledge of their subject matter, and shall not contain any misrepresentation or omission;

8. To Developer's knowledge, no representation, warranty or statement of Developer in this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading.

b. As an inducement to the Developer to enter into this Agreement and develop the Property as provided herein, the City hereby represents and warrants to the Developer, which representations and warranties are true and correct as of the date of this Agreement and which shall survive the Closing, that to the City's knowledge (which for purposes of this Section 2.14 shall be deemed the knowledge of the City Manager and/or Director of Public Works or any of the staff thereof):

1. The City has the legal power, right and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby and the transactions contemplated herein comply with all statutory requirements applicable to the sale of surplus public property;

2. This Agreement and all documents required hereby to be executed by City are, and shall be, valid, legally binding obligations of and enforceable against City in accordance with their terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium laws or similar laws or equitable principles affecting or limiting the rights of contracting parties generally;

3. There is no charter or bylaw of City, and no provision of any indenture, instrument, or agreement, written or oral, to which City is a party or which governs the actions of City or which is otherwise binding upon City or City's property, nor is there any statute, rule or regulation, or any judgment, decree, or order of any court or agency binding on City or City's property which would be contravened by the City's execution, delivery or performance of the City's obligations under this Agreement or any documents required hereby to be executed by City;

4. There is no action, suit, or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of City, threatened against or affecting City, or any properties or rights of City, which, if adversely determined, would materially impair the right of City to execute or perform its obligations under this Agreement or any documents required hereby to be executed by City;

5. Neither the execution and delivery of this Agreement and documents referenced herein, nor the incurrence of the obligations set forth herein, nor the consummation of the transactions herein contemplated, nor compliance with the terms of this Agreement and the documents referenced herein conflict with or result in the material breach of

any terms, conditions or provisions of, or constitute a default under, any bond, note or other evidence of indebtedness or any contract, indenture, mortgage, deed of trust, loan, lease or other agreements or instruments to which City is a party;

6. To the City's knowledge, the City has received no written notice of (i) any release of Hazardous Materials on or in the vicinity of the Property, or (ii) any actual or alleged violation of Hazardous Materials laws, or any pending or threatened investigation of any potential violation, on the Property;

7. To the best of City's knowledge, there are no pending, threatened or contemplated actions, suits, arbitrations, claims or proceedings, at law or in equity, affecting the Property or in which City is, or to the best of City's knowledge will be, a party by reason of this Agreement, including, but not limited to, judicial, municipal or administrative proceedings in eminent domain, unlawful detainer or tenant evictions, collections, alleged building code, health and safety or zoning violations, employment discrimination or unfair labor practices, or workers' compensation, personal injuries or property damages;

8. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings are pending or threatened against City, nor are any of such proceedings contemplated by City;

9. All reports, documents, instruments, information and forms of evidence delivered or made available to the Developer concerning the Property or otherwise required by this Agreement are to the best of City's knowledge accurate and correct, and do not contain any misrepresentation;

10. No representation, warranty or statement of City in this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading;

c. Each party's representations and warranties made in this Section 2.14 will be continuing and will be true and correct as of the date of the Closing with the same force and effect as if remade in a separate certificate at that time and will survive the Closing. The truth and accuracy of each party's representations and warranties made herein will constitute a condition for the benefit of the other party to the performance of such other party's obligations hereunder.

ARTICLE 3 DEVELOPMENT OF THE PROPERTY

Section 3.1 Scope of Development

Developer shall rehabilitate and develop the Project in accordance with and within the limitations established in the "Scope of Development" (which is attached to this Agreement as Attachment No. 5 and incorporated herein by reference) and plans approved by the City and

permits issued by the City, and, subject to Force Majeure, within the times required by the Schedule of Performance.

Section 3.2 Construction Drawings and Related Documents

a. Developer will prepare and submit construction drawings and related documents for the rehabilitation and development of the Property to City for review (including, but not limited to, architectural review) and approval in accordance with the City's standard processes for issuance of building permits and related approvals (including, without limitation, review for concurrence with historical zone standards and requirements).

b. In the event of the disapproval by the City of any Plans or related documents submitted by Developer, City will promptly communicate in writing to Developer all reasons for such disapproval and all requirements for subsequent approval of revised plans.

c. During the processing of all required Permits or other Governmental Approvals, City staff and Developer will communicate and consult informally as frequently as is necessary to insure that the formal submittal of any documents to the City can receive prompt and speedy consideration.

d. If any revisions or corrections of plans approved by City are required by a governmental official, agency, department or bureau having jurisdiction over the development of the Property other than the City or its departments, Developer and City will cooperate in efforts to obtain waivers of such requirements or to develop mutually acceptable revisions, corrections or alternatives to address such requirements.

Section 3.3 Intentionally Omitted

Section 3.4 Cost of Construction

The cost of rehabilitating and developing the Property and renovating or constructing all new or existing Improvements thereon will be the responsibility of Developer, as provided in the Method of Financing.

Section 3.5 Schedule of Performance

a. Developer and City will perform all acts respectively required of such party in this Agreement within the times provided in the Schedule of Performance, and if no time is provided, within a reasonable time.

b. Developer will diligently and continuously prosecute to completion all procedures reasonably necessary for accomplishing the following:

(1) preparation and submission to the City of construction drawings for the Project;

(2) application to the City for and approval of any necessary variances or any other land use approvals for the Project;

(3) plan check and issuance of all necessary permits;

(4) rehabilitation in accordance with City historic standards and construction of the Units in accordance with the approved Plans; and

(5) leasing and occupancy of the Units in accordance with the provisions of this Agreement.

c. After the Closing, Developer will promptly begin and thereafter diligently prosecute to completion the rehabilitations and construction of the Improvements as provided in the Scope of Development and City approved Plans and Permits. Developer will begin and complete all construction and development in accordance with the Schedule of Performance. The Schedule of Performance is subject to revision from time to time based on Force Majeure delays or as otherwise mutually agreed upon in writing by Developer and the City.

Section 3.6 Local, State, and Federal Laws

a. Developer will carry out the rehabilitations and construction of the Improvements in conformity with all applicable laws, including all applicable federal and state labor standards (including, without limitation, but only if legally applicable, the requirement to pay state prevailing wages). City and Developer acknowledge and agree that Developer shall have the right to terminate this Agreement in accordance with Section 5.8(b) below at any time prior to Closing in the event that Developer reasonably determines that prevailing waive requirements will be applicable to the Project.

b. Developer will be responsible for obtaining all Permits and other Governmental Approvals required by City for the renovation or construction of the Improvements and occupancy of the Units upon Completion thereof, ensuring that the use of the Property for the purposes described in this Agreement complies with the zoning and other City land use regulations (including any applicable exemptions and/or exceptions) applicable to the Property at the time of Closing. City agrees to cooperate with Developer by joining with Developer in signing such applications, consents, and approvals as reasonably requested by Developer in connection with Developer's efforts to obtain Governmental Approvals to the extent permitted by applicable City codes, ordinances and regulations. Such cooperation and joinder in application by City shall in no event be construed as an approval by City of any such application or permit in City's exercise of its governmental, regulatory or police powers in connection therewith or the waiver by City of any of its discretion in the exercise of such governmental, regulatory or police powers under applicable law, but merely as a matter of cooperation and convenience in the City's capacity as current owner

of the Property, to facilitate Developer's efforts to perform its obligations under this Agreement prior to Developer acquiring fee title to the Property.

c. Prior to or concurrently with the Closing, Developer will satisfy all conditions to the issuance of any Governmental Approvals, other than transfer of title and payment of fees to be paid upon the Closing; provided that the foregoing shall not be deemed to limit Developer's right to object to any conditions or requirements or to otherwise terminate this Agreement in the event that Developer and the City cannot resolve any such objection to Developer's satisfaction in its sole discretion.

d. This Agreement is not a "Development Agreement" as provided in Section 65864 et seq. of the California Government Code. Developer must comply with all applicable conditions of approval required by the City; provided that the foregoing shall not be deemed to limit Developer's right to object to any conditions or requirements or to otherwise terminate this Agreement in the event that Developer and the City cannot resolve any such objection to Developer's satisfaction in its sole discretion.

e. Developer agrees to carry out development, construction (as defined by applicable law) and operation of the Improvements on the Property, in conformity with all applicable local, state and federal laws, including, without limitation, all applicable federal and state labor laws (including, without limitation, but only if legally applicable any applicable requirement to pay state prevailing wages). Developer will indemnify, protect, defend and hold harmless the City and its respective elected officers, employees, contractors and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including labor costs, penalties, reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, construction (as defined by applicable law) and/or operation of the Improvements, results or arises from the noncompliance by Developer of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, but only if legally applicable, the requirement to pay state prevailing wages).

Section 3.7 Nondiscrimination During Construction

Developer, for itself and its successors and assigns, agrees that during the construction of the Improvements provided for in the Agreement, Developer will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin or any other basis prohibited by applicable law.

Section 3.8 Indemnification and Insurance

a. Without limiting any pre-Closing indemnity obligations arising under the license agreement to be entered into by Developer pursuant to Section 2.11 above, and until the issuance of the Release of Construction Covenants, Developer agrees to and will defend, indemnify and hold the City and its officers, employees, contractors and agents (the "City

Indemnitees") harmless from and against all claims, liability, loss, damage, costs or expenses (including reasonable attorneys' fees and court costs) ("Indemnified Liabilities") arising from or as a result of the death of any person or any accident, injury, loss or damage whatsoever caused to any person or to the property of any person arising directly or indirectly out of or related to development of the Project on the Property or any other actions or omissions on the part of the Developer or its officers, employees, contractors or agents in connection therewith, whether occurring prior to or after the Closing. From and after Closing, Developer shall further indemnify and defend the City Indemnitees from any Indemnified Liabilities arising from ownership, operation or occupancy of the Property, but only to the extent first arising from and after the Closing. Developer will not be responsible for (and the foregoing indemnities will not apply) any such Indemnified Liabilities to the extent any gross negligence or willful misconduct of the City or its officers, employees, contractors or agents may give rise to any such Indemnified Liabilities.

b. Prior to Closing, Developer must furnish or cause to be furnished to the City evidence of the following policies of insurance to be effective as of the Closing. Evidence of insurance must include additional insured endorsements naming the City as additional insured and including a primary insurance and waiver of contribution clause, a separation of insureds clause and a cancellation notice clause, in the form provided by the City.

(i) Fire Policies: Developer must maintain or cause to be maintained a policy or policies of insurance against loss or damage to the Property or the Improvements and all property of an insurable nature located upon the Property, resulting from fire, lightning, vandalism, malicious mischief, riot and civil commotion, and such other perils ordinarily included in extended coverage fire insurance policies. Such insurance must be maintained in an amount not less than one hundred percent (100%) of the full insurable value of the Improvements, as defined herein in paragraph d.

(ii) Liability Insurance: Developer must maintain or cause to be maintained public liability insurance, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever on or about the Property and the business of the Developer on the Property, or in connection with the operation thereof, resulting directly or indirectly from any acts or activities of Developer or its invitees, or any person acting for Developer, or under its respective control or direction, and also to protect against loss from liability imposed by law for damages to any property of any person occurring on or about the Property, or in connection with the operation thereof, caused directly or indirectly by or from acts or activities of Developer or its invitees, or any person acting for Developer, or under its control or direction. Such property damage and personal injury insurance must also provide for and protect City against incurring any legal cost in defending claims for alleged loss. Such personal injury and property damage insurance must be maintained in full force and effect during the term of the City Acquisition Loan in the following amounts: commercial general liability in a general aggregate amount of not less than Two Million Dollars ($2,000,000) in aggregate; and not less than One Million Dollars ($1,000,000) of bodily injury and property damage insurance. It is the mutual intent of the parties that the levels of insurance coverage described herein will be and remain

comparable to the level of insurance coverage that is customary with comparable operations in Orange County. At any time during the term of the City Acquisition Loan, and from time to time, either party may provide notice to the other party that the level of insurance being maintained by Developer is no longer comparable to the level of insurance coverage that is customary with comparable operations in Orange County, and request that the minimum limit hereinabove designated shall be changed (either increased or decreased) accordingly. The party receiving such request will not unreasonably withhold its consent to such change. Developer agrees that provisions of this paragraph as to maintenance of insurance shall not be construed as limiting in any way the extent to which Developer may be held responsible for the indemnification of City or the payment of damages to persons or property resulting from Developer's activities, activities of its invitees or the activities of any other person or persons for which Developer is otherwise responsible. To the extent available on commercially-reasonable terms, Developer will require its insurer to waive its subrogation rights against the City and must provide industry-standard endorsements evidencing same.

(iii) Workers' Compensation Insurance: Developer must maintain or cause to be maintained workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the workers' compensation laws now in force in California, or any laws hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers' compensation insurance must cover all persons employed by Developer in connection with the Property and must cover liability within statutory limits for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death in connection with the Property or the operation thereof by Developer. Notwithstanding the foregoing, Developer may, in compliance with the laws of the State of California and in lieu of maintaining such insurance, self-insure for workers' compensation in which event Developer will deliver to City evidence that such self-insurance has been approved by the appropriate State authorities. If Developer is required to maintain Workers' Compensation Insurance under this paragraph, Developer must furnish the City with a certificate of waiver of subrogation under the terms of the Workers' Compensation Insurance. Developer will require its general contractor to waive subrogation and require that its subcontractors waive subrogation to the extent that such a waiver is commercially available.

c. All policies hereunder must not be subject to cancellation, reduction in coverage, or non-renewal except after notice in writing has been sent by registered mail addressed to the City not less than 30 days in advance of the effective date, except for cancellation for nonpayment of premium, in which event notice must be given not less than ten days in advance of the effective date. All policies may name the City, Developer and/or any general contractor as insureds, additional insureds, and/or loss payable parties as their interests may appear.

d. The term "full insurable value" means the actual replacement cost (excluding the cost of excavation, foundation and footings below the lowest floor and without deduction for depreciation) of the Improvements on the Property immediately before such casualty or other loss, including the cost of construction, architectural and engineering fees, and inspection

and supervision. To ascertain the amount of coverage required, Developer will cause the full insurable value to be determined from time to time by appraisal by the insurer, by the insurer's automatic inflationary measure if acceptable to the Developer and the City, by agreement between Developer and City or by an appraiser mutually acceptable to City and Developer, not less often than once every three years.

e. All insurance provided under this Section will be for the benefit of Developer and City. Developer agrees to timely pay all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance. Developer agrees to submit policies of all insurance required by this Section, or certificates and endorsements evidencing the existence thereof, to City within 30 days prior to Closing, indicating full coverage of the contractual liability imposed hereby. Within thirty (30) days, if practicable, but in any event prior to expiration of any such policy, copies of renewal policies, or certificates evidencing the existence thereof, must be submitted to City. All insurance herein provided for under this Section must be effected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State of California, and reasonably approved by City.

f. If Developer fails or refuses to procure or maintain insurance as required by this Agreement, City will have the right, at City's election, and upon thirty (30) days prior notice to Developer, to procure and maintain such insurance. The premiums paid by City will be treated as a loan, due from Developer, to be paid on the first day of the month following the date on which the premiums were paid. City will give prompt notice of the payment of such premiums, stating the amounts paid and the name of the insured(s).

Section 3.9 Disclaimer of Responsibility by the City

a. Except as expressly set forth herein, the City neither undertakes nor assumes nor will have any responsibility, right or duty to Developer or to any third party to review, inspect, supervise, pass judgment upon or inform Developer or any third party of any matter in connection with the Property; provided that the City shall promptly inform Developer of any written notice or other knowledge obtained by the City indicating that any representations or warranties of the City set forth in Section 2.14 above are, or have become, inaccurate, incomplete or untrue.

b. It is understood and agreed by Developer that City review of plans and applications for land use decisions, including without limitation building permits and zoning, shall be conducted by City in its governmental capacity, and nothing in this Agreement shall be construed so as to bind the City to make any approval or any particular exercise of its discretion, except to the extent required by applicable law.

Section 3.10 Rights of Access

After Closing but prior to Completion, City will have the right, at its sole risk and expense, to enter the Property or any part thereof at reasonable times and with as little interference as

possible and subject to compliance with all jobsite safety rules implemented by Developer or any of its contractors, for the purpose of inspecting the Property for purposes of Developer's compliance with this Agreement. The representatives of City entering the Property will be identified in writing in advance by the City Manager (or designee). Any such entry will be made only after reasonable notice to Developer, and City will indemnify and hold Developer harmless from any claims or liabilities pertaining to such entry, except to the extent arising from the gross negligence or willful misconduct of Developer or any officer, employee, contractor or agent of Developer. After Completion, any such entry shall be limited to annual inspections under Section 4.2(h) or such other inspections as may be permitted pursuant to the OMC.

Section 3.11 Taxes, Assessments, Encumbrances and Liens

Developer will be responsible for paying when due all real estate taxes and assessments, if any, assessed and levied on or against the Property for any period after the Closing. Except as expressly contemplated in the Method of Financing or otherwise approved by the City, Developer must not place, or allow to be placed, on the Property or any portion thereof, any mortgage, trust deed, encumbrance (excluding easements not unreasonably interfering with the use of the Property) or lien (excluding mechanic's liens paid prior to foreclosure or liens for current year property taxes not paid). Developer must remove, or have removed, any levy or attachment made on the Property (or any portion thereof), or must assure the satisfaction thereof within a reasonable time but in any event prior to foreclosure. Nothing herein contained will be deemed to prohibit Developer from contesting the validity or amount of any tax, assessment, encumbrance or lien, nor to limit the remedies available to Developer in respect thereto.

Section 3.12 Rights to Plans

In the event that Developer elects to terminate this Agreement prior to Closing, Developer shall assign to the City all of Developer's right, title and interest in an to any work product produced by or on behalf of Developer prior thereto, including (but not limited to), any Plans or other construction documents, soils tests or similar reports, as well as any Permits and other Governmental Approvals obtained prior to termination (the "Assignable Documents"), but only to the extent any such Assignable Documents are assignable by the terms thereof on a non-exclusive basis at no cost to Developer. Without limiting the foregoing, Developer acknowledges that the collateral subject to the City Acquisition Loan Deed of Trust shall include all of Developer's right, title and interest in the Assignable Documents.

Section 3.13 Release of Construction Covenants

a. Promptly after completion of the Improvements, as generally and specifically required by this Agreement and in particular the Scope of Development, the City will furnish Developer with a Release of Construction Covenants upon written request therefor by Developer certifying that Developer has completed its construction obligations hereunder. The City will not unreasonably withhold such Release of Construction Covenants and such Release of Construction Covenants will be issued so long as Developer has completed the construction and

development of the Project substantially in accordance with this Agreement, the Regulatory Agreement, and the Plans. Such Release of Construction Covenants will be, and will so state, conclusive determination of satisfactory Completion of all of the construction required by this Agreement. Developer will not enter into any Lease of any Unit prior to the issuance by City of a Release of Construction Covenants, but will have the right to enter into a lease agreement with respect to a Unit prior to the issuance of a Release of Construction Covenants that is conditioned on such issuance and will not permit any Occupant to commence occupancy of a Unit prior thereto.

b. The Release of Construction Covenants will be in such form as to permit it to be recorded in the Recorder's Office of Orange County.

c. If the City refuses or fails to furnish a Release of Construction Covenants after written request from Developer, the City will, within ten (10) days of the written request, provide Developer with a written statement of the reasons the City refused or failed to furnish a Release of Construction Covenants. The statement will also contain the City's opinion of the action Developer must take to obtain a Release of Construction Covenants. If the reason for such refusal is confined to the immediate availability of specific items or materials for landscaping, and/or minor items, the City will issue its Release of Construction Covenants upon the posting by Developer with the City of a bond in form and substance reasonably acceptable to the City Manager in an amount representing a fair value of the work not yet completed.

d. The Release of Construction Covenants will not constitute evidence of compliance with or satisfaction of any obligation of Developer to any person other than Developer. Such Release of Construction Covenants is not a notice of completion under Section 3093 of the California Civil Code, provided that the City acknowledges Developer's right to record a Notice of Completion in accordance with applicable law.

ARTICLE 4 USE OF THE PROPERTY

Section 4.1 Uses

Developer covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Property or any part thereof) that Developer, its successors and assigns will use the Property as follows:

a. Developer will develop the Property exclusively to provide affordable housing for Very Low Income Households, as provided in this Agreement, the Regulatory Agreement, the Grant Deed and the Leases;

b. Developer will lease the Units only to Very Low Income Households, for a rental rate which, after application of available payments or subsidies from any local, state or federal sources, will not exceed an Affordable Rental Cost.

c. Developer will be responsible for obtaining all source documentation necessary to evidence the income qualification of Occupants as Very Low Income Households as required by this Agreement and the Regulatory Agreement. To implement this provision, Developer agrees to provide notice to City, in writing, prior to beginning to lease any Units.

d. Developer shall provide on-going assistance to all occupants of the Units by trained staff in order to help each family thrive as they gain stability in their new home.

Section 4.2 Maintenance of the Property

Developer covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Property or any part thereof) that Developer, its successors and assigns will maintain (or cause the Occupants to maintain) the interior and exterior of the improvements and the landscaping on the Property as required under the City of Orange Municipal Code ("OMC") and otherwise in a manner consistent with community standards for similar affordable housing projects in the City or Orange (collectively, the "Maintenance Standards"), as follows:

a. Exterior Maintenance. All exterior, painted surfaces of any structures located on the Property will be maintained at all times in a clean and presentable manner.

b. Front and Side Exteriors. Developer will, at all times, maintain the front exterior and any visible side exteriors and yards, if any, in a clean, safe and presentable manner.

c. Graffiti Removal. All graffiti, and substantial defacement of any type, including symbols, words and pictures, will be removed from the Property and any necessary painting or repair completed within a reasonable time, but in no event more than one (1) week after notice to Developer from City.

d. Landscaping. All landscaping surrounding the Property will be maintained in a manner consistent with the Maintenance Standards and any specific rules, regulations and standards adopted pursuant to the OMC.

e. Restoration of Damaged Improvements. If all or any portion of the Property or the Improvements thereon is damaged or destroyed by fire or other casualty, it will be the duty of Developer to rebuild, repair or reconstruct the Property in a timely manner to restore it to a condition compliant with the Maintenance Standards.

f. Variance in Exterior Appearance and Design. If the Property is damaged or destroyed by casualty, Developer may not reconstruct, rebuild or repair the Property in a manner which will provide materially different exterior appearance and lot design from that which existed prior to the date of the casualty without the prior written consent of City which shall not be unreasonably withheld or conditioned.

g. Time Limitation. In the event of damage or destruction due to casualty, Developer will be obligated to proceed with all due diligence to commence reconstruction within six (6) months after the damage occurs and to complete reconstruction within a reasonable time after damage occurs, unless prevented by causes beyond the reasonable control of Developer.

h. Inspection. City shall have the right to conduct annual inspections of the Property to confirm compliance with the foregoing maintenance obligations; provided that City shall provide not less than ten (10) days prior notice of such inspections all such inspections shall be conducted subject to, and in a manner so as to minimize any adverse impact on, the rights of the Occupants under the Leases. The City shall use reasonable efforts to coordinate such inspections with any other required inspections of the Project. If City, in the reasonable discretion of the City Manager, determines that Developer has failed to maintain the Property, City, or its designee, on thirty (30) days prior written notice of any noted code violations and maintenance deficiencies (collectively, the "Deficiencies"), will have the right, but not the obligation, to enter the Property, correct any Deficiency not repaired or remediated by Developer or its agents within such 30-day period, and hold Developer responsible for the reasonable cost thereof. Any reasonable costs incurred by the City to cure any such Deficiency, until paid, will constitute a lien on the Property pursuant to Civil Code Section 2881.

Section 4.3 Obligation to Refrain from Discrimination

The Developer will refrain from restricting the rental, sale or lease of the property on the basis of sex, sexual orientation, marital status, race, color, creed, religion, ancestry, national origin of any person or any other basis prohibited by applicable law. All deeds, leases or contracts will contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

2. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming

under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

3. In contracts: There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land."

Section 4.4 Effect and Duration of Covenants

The covenants established in this Agreement will, without regard to technical classification and designation, be binding on Developer and any successor in interest to the Property or any part thereof or any interest therein for the benefit and in favor of the City, its successors and assigns. The covenants will remain in effect for the respective time periods set forth in this Agreement and in the City Grant Deed and the Regulatory Agreement. The covenants against discrimination in Section(s) 3.7 and 4.3 will remain in effect in perpetuity.

Section 4.5 Effect of Violation of the Terms and Provisions of this Agreement

The City is deemed to be a beneficiary of the terms and provisions of this Agreement and the covenants herein, both for and in their own right and for the purposes of protecting the interests of the community and other parties, public or private.

Section 4.6 Intentionally Omitted

ARTICLE 5 DEFAULTS, REMEDIES AND TERMINATION

Section 5.1 Defaults - General

a. Subject to the Force Majeure Delay, as provided in Section 6.4, failure or delay by either party to perform any term or provision of this Agreement in a timely manner as contemplated in the Schedule of Performance constitutes a default under this Agreement. The party who fails or delays must commence to cure, correct or remedy such failure or delay and complete such cure, correction or remedy within the time frames set forth in this Article 5. The non-defaulting party must give written notice of default to the party in default, specifying the nature of the alleged default and the steps required to cure the default. Failure or delay in giving such notice will not constitute a waiver of any default. Except as otherwise expressly provided in this Agreement, any failures or delays by either party in asserting any of its rights and remedies as to any default will not operate as a waiver of any default or of any such rights or remedies. To the maximum extent provided under applicable law, delays by either party in asserting any of its rights and remedies will not deprive either party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

b. If a monetary event of default occurs, prior to exercising any remedies hereunder, the non-defaulting party must give the party in default written notice of such default. The party in default will have a period of ten (10) business days after such notice is given within which to cure the default prior to exercise of remedies by the non-defaulting party.

c. If a non-monetary event of default occurs, prior to exercising any remedies hereunder, the non-defaulting party must give the party in default notice of such default. If the default is reasonably capable of being cured within thirty (30) days, the party in default will have such period to effect a cure prior to exercise of remedies by the non-defaulting party. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and the party in default (i) initiates corrective action within said period, and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then the party in default will have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by the non-defaulting party, but not to exceed ninety (90) days after the first notice of default is given. In no event will the non-defaulting party be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) days after the first notice of default is given.

Section 5.2 Institution of Legal Actions

Subject to the notice and cure provisions of Section 5.1, and except as otherwise provided in this Agreement, either party may institute legal or equitable action to cure, correct or remedy any default, subject to the following limitations:

Developer's remedy for any breach of the City's obligation to deliver title to the Property pursuant to Article 2 above on or before the Outside Closing Date shall be limited to termination of this Agreement and recovery of any reasonable costs incurred by Developer prior thereto in investigating the condition of the Property or obtaining or preparing any Plans or other documents or materials in anticipation of developing the Project thereon;

City's remedy for any breach of Developer's covenants regarding commencement or Completion of construction of the Project shall be limited to the remedy set forth in Section 5.10 below and in no event shall City have any right to specific performance of Developer's construction obligations hereunder;

City's remedy for any breach of Developer's obligation regarding construction of the Project in accordance with approved Plans shall, in addition to any enforcement remedies available to the City in the exercise of its governmental, regulatory or police powers under the OMC, be limited to recovery of damages in an amount not to exceed the actual, out-of-pocket costs incurred by the City to remedy any such non-compliant construction should Developer fail to do so within the time periods required above or otherwise under applicable law;

City's remedy for any breach of Developer's payment obligations in connection with the City Acquisition Loan shall be limited to enforcement of the City's right to foreclose the City Acquisition Loan Deed of Trust or to otherwise exercise any rights specifically set forth therein; and

e. City's remedy for any breach of the covenants of Developer set forth herein regarding anti-discrimination and/or leasing to Very Low Income Households shall be limited to enforcement of the rights set forth in the Regulatory Agreement for an injunction, specific performance or other equitable relief, and in the case of a breach of covenants regarding leasing and/or rents (other than inadvertent breaches of such covenants which are cured within thirty (30) days after written notice from the City), actual damages subject to the limitations thereon set forth in Section 5.6 below; and the City specifically waives any right to damages for any such breach other than in the case of leasing and/or rents and agrees that equitable relief shall be the City's sole remedy for any such breach.

Section 5.3 Applicable Law

The laws of the State of California will govern the interpretation and enforcement of this Agreement. Any legal or equitable actions must be instituted in the Superior Court of the County of Orange, State of California, in any other appropriate court of that county, or in the United States District Court for the Central District of California.

Section 5.4 Acceptance of Service of Process

a. If any legal action is commenced by the Developer against the City, service of process on the City will be made by personal service upon the City Manager or in such other manner as may be provided by law.

b. If any legal action is commenced by the City against the Developer, service of process on the Developer will be made by personal service upon the Developer (or upon an officer of the Developer) and will be valid whether made within or without the State of California, or in such manner as may be provided by law.

Section 5.5 Rights and Remedies Are Cumulative

Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies will not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

Section 5.6 Limitation on Damages

Subject to the notice and cure provisions of Section 5.1 or as otherwise expressly provided herein, if either party defaults with regard to any of the provisions of this Agreement, including without limitation, the representations and warranties set forth herein, the defaulting party shall be liable to the non-defaulting party for any direct damages incurred by the non-defaulting party as a result of such default. Each party waives any right to collect punitive, consequential or other indirect damages against the other party.

Section 5.7 Intentionally Omitted

Section 5.8 Termination

a. In the event that Developer fails to deliver an Approval Notice on or before expiration of the Due Diligence Period and Developer shall be deemed to have disapproved the Property pursuant to Section 2.1.2 above, the Good Faith Deposit shall be returned to Developer, this Agreement shall be deemed terminated and neither party shall have any further obligation hereunder other than as expressly set forth herein.

b. Notwithstanding expiration of Developer's Due Diligence Period, Developer shall have the right to terminate this Agreement in the event that Developer and the City are unable to resolve to Developer's satisfaction any of Developer's objections to conditions to approval imposed on any Governmental Approvals necessary for construction and operation of the Project as contemplated herein, or Developer otherwise reasonably determines that the Project will be subject to any prevailing wage requirements, in which event this Agreement shall be

deemed terminated, the Good Faith Deposit shall be returned to Developer and neither party shall have any further obligation hereunder other than as expressly set forth herein.

c. In addition, either party will have the right to terminate this Agreement at any time prior to the Closing if the other party is in material default of any material obligation hereunder, and following receipt of written notice specifying in reasonable detail the nature of such default and the actions required to cure such default, fails to cure such default within the time provided in Section 5.1.

Section 5.9 Intentionally Omitted

Section 5.10 Right of Reentry

a. If any of the following defaults occur after the Closing (but prior to Completion), City will have the right to terminate this Agreement and either (i) foreclose on the City Acquisition Loan Deed of Trust in accordance with applicable law or (ii) exercise the right of re-entry set forth in, and subject to the terms of, Section 5.10.b below:

1. Developer fails to commence repair and/or construction of the Units on or before the date specified in the Schedule of Performance (subject to Force Majeure) and such failure continues for a period of ninety (90) days after written notice from City, unless Developer obtained an extension or postponement to which Developer may be entitled pursuant to Section 6.4 hereof; or

2. Developer abandons or substantially suspends construction of the improvements for any reason other than a Force Majeure Delay for a period of one hundred twenty (120) days after written notice has been given by City to Developer, unless Developer obtained an extension or postponement to which Developer may be entitled to pursuant to Section 6.4 hereof.

b. City will have the right, at its option, to re-enter and take possession of the Property with all Improvements located thereon (including any renovations, repairs or new construction performed by Developer prior thereto), and in such event Developer agrees that Developer will take such actions and execute such instruments necessary or proper to vest in City fee title to the Property.

c. Upon the vesting in City of title to the Property, or any part of the Property, as provided in this Section 5.10, City will use its best efforts to resell the Property, or any part of the Property, as soon and in such manner as City will find feasible and consistent with applicable provisions of law to a qualified and responsible party or parties (as reasonably determined by City), who will assume the obligation of making or completing the Project, or such other improvements to the Property, as will be satisfactory to City and in accordance with the uses specified for the Property as contemplated herein, or any part of the Property. Upon such resale of the Property, or any part of the Property, the proceeds will be applied as follows:

1. First, to reimburse City for all costs and expenses reasonably incurred by City in connection with the recapture and resale of the Property, or any part thereof; all taxes, assessments and water and sewer charges with respect to the Property or any part of the Property; any payments made or necessary to be made to discharge or prevent from attaching or being made any mechanics' liens or other subsequent encumbrances or liens due to obligations, defaults or acts of Developer, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the agreed improvements on the Property, or any part of the Property; and

2. Second, to reimburse Developer, its successor or transferee, up to the amount equal to the costs incurred for the development of the Property, or any part of the Property (including costs incurred prior to Closing), or for the repair, renovation or construction of the Units. Any balance remaining after such reimbursements, if any, will be retained by City.

d. Such right to re-enter, take possession of and re-vest title in the City will be subject to, be limited by, and will not defeat, render invalid or limit: (a) any bona fide deed of trust, or other security instrument of sale and leaseback or other conveyance for financing entered into in accordance with this Agreement; and (b) any rights or interest provided in this Agreement for the protection of the holder of such bona fide, permitted deeds of trust or other security instruments, the lessor under such sale and leaseback, or the grantee under such other conveyance for financing.

e. To the extent that the right established in this Section involves a forfeiture, it must be strictly interpreted against City, the party for whose benefit it is created. The rights established in this Section are to be interpreted in light of the fact that City will convey the Property to Developer for development and not for speculation.

f. The rights established in this Section 5.10 shall immediately terminate at such time as Developer has achieved Completion, whether or not City has issued a Release of Construction Covenants.

g. Any election by the City to terminate this Agreement and exercise the right of re-entry set forth in this Section 5.10 shall be deemed to terminate the City Encumbrances and to terminate and release all obligations of Developer under the City Acquisition Loan or any documents or instruments executed by Developer in connection therewith.

ARTICLE 6 GENERAL PROVISIONS

Section 6.1 Notices, Demands and Communications between the Parties

Formal notices, demands and communications between the City and the Developer will be sufficiently given if dispatched by overnight delivery with a nationally or regionally-recognized courier or by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of the City and the Developer, as designated in Sections 1.3 and 1.4 hereof. Such written notices, demands and communications may be sent in the same manner to such other

addresses as either party may from time to time designate by mail as provided in this Section 6.1. Any notice that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), will be deemed received on the documented date of receipt by the recipient; and any notice that is sent by registered or certified mail, postage prepaid, return receipt required will be deemed received on the date of receipt thereof.

Section 6.2 Conflicts of Interest

a. No member, official or employee of the City may have any personal interest, direct or indirect, in this Agreement nor may any such member, official or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is, directly or indirectly, interested.

b. The Developer warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement.

Section 6.3 Nonliability of City Officials and Employees

No member, official, employee or consultant of City or Developer will be personally liable to the other party, or any successor in interest, in the event of any default or breach by City or Developer or for any amount which may become due to the other party or to its successor, or on any obligations under the terms of this Agreement.

Section 6.4 Force Majeure

In addition to specific provisions of this Agreement, performance by either party hereunder will not be deemed to be in default where delays or defaults are due to Force Majeure Events.

Section 6.5 Inspection of Books and Records

The Developer must maintain complete, accurate, and current records pertaining to the Property for a period of five (5) years after the creation of such records, and permit any duly authorized representative of the City, at the City's sole expense and upon reasonable advance notice, to inspect and copy records, including records pertaining to income and household size of occupants of the Units, during regular business hours. Records must be kept accurate and current and located in the County of Orange, California.

Section 6.6 Approvals

Unless otherwise provided in this Agreement, approvals required of City or Developer will not be unreasonably conditioned, delayed or withheld. In addition, unless otherwise provided in

this Agreement a requirement of City approval or execution of any additional documents or instruments contemplated by this Agreement means the approval or execution thereof by the City Manager or designee.

Section 6.7 Real Estate Commissions

Neither the City nor the Developer will be liable for any real estate commissions, brokerage fees or finders' fees which may arise from the sale of the Property to the Developer. The City and the Developer each represent to the other that it has employed no broker, agent, or finder in connection with this transaction and that no person has claimed any commission, fee or other compensation in connection with this transaction.

Section 6.8 Further Assurances

Each of the parties hereto will execute any further documents consistent with the terms of this Agreement, including documents in recordable form, as the other party may from time to time find necessary or appropriate to effectuate their respective purposes in entering into this Agreement and entering into the transactions contemplated by City Acquisition Loan Documents.

Section 6.9 Time is of the Essence

Time is of the essence of this Agreement and of the performance of all the terms, covenants and conditions of the Developer contained in this Agreement.

ARTICLE 7 ENTIRE AGREEMENT, WAIVERS AND AMENDMENTS

a. This Agreement may be executed in duplicate originals each of which is deemed to be an original.

b. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, constitutes the entire understanding and agreement of the parties, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the Property.

c. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the City or the Developer, and all amendments hereto must be in writing and signed by the appropriate authorities of the City and the Developer. This Agreement and any provisions hereof may be amended by mutual written agreement by the Developer and the City.

ARTICLE 8 TIME FOR ACCEPTANCE OF AGREEMENT BY THE CITY; DATE OF AGREEMENT

This Agreement, when executed by the Developer and delivered to the City, will not be effective until executed by the City following City approval as required by law. If the City fails to approve, execute and deliver this Agreement to the Developer within sixty (60) days after this Agreement is signed by the Developer, the Developer will have the right to withdraw its offer to enter into this Agreement by providing written notice to the City. This Agreement will be dated for reference purposes as of the date set forth in the introductory paragraph hereof, but will not be effective until executed by the City and expiration of any appeals periods applicable thereto (the "Effective Date").

[Signatures on Following Page]

IN WITNESS WHEREOF, City and Developer have signed this Agreement as of the dates set opposite their signatures.

THE CITY OF ORANGE

Dated:_____, 20__ By:_____
Mark A. Murphy, Mayor

APPROVED AS TO FORM AND LEGALITY:

By:_____

APPROVED AS TO FORM:
KANE, BALLMER & BERKMAN
Special Counsel to the City

By: _____

[SIGNATURES CONTINUE ON NEXT PAGE]

SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation doing business as HOMEAID ORANGE COUNTY

Dated:_____, 20__

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

ATTACHMENT NO. 1

LEGAL DESCRIPTION

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

Parcel 1:

Lot 2 in Block "B" of Tract No. 545 of La Veta Home Tract, in the City of Orange, County of Orange, California as per Map recorded in Book 18, Page(s) 11, of Miscellaneous Maps in the Office of the County Recorder of said County.

APN: 041-141-10

Parcel 2:

Lot 3, Block B of Tract No. 545, La Veta Home Tract, in the City of Orange, County of Orange, State of California, as per Map recorded in Book 18, Page 11 of Miscellaneous Maps in the office of the Recorder of said County.

APN: 041-141-11

Parcel 3:

Lot Four in Block "B" of "Tract No. 545 La Veta Home Tract", As Shown On A Map Recorded In Book 18, Page 11 Of Miscellaneous Maps, Records Of Orange County, California.

APN: 041-141-12

ATTACHMENT NO. 2

METHOD OF FINANCING

This is the Method of Financing attached to the Disposition and Development Agreement ("DDA") between the City of Orange ("City") and Shelter Providers of Orange County, Inc., a California nonprofit corporation doing business as HomeAid Orange County ("Developer"), pertaining to the acquisition of certain property and rehabilitation and construction thereon of six Units with ancillary facilities, to be Leased exclusively to Very Low Income Occupants at a leasing rate such that their total Rental Cost will not exceed an Affordable Rental Cost, as described below (the "DDA"). Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the DDA.

1. Capitalized terms shall have the meaning given them in the DDA. In addition, the following definitions shall apply to this Method of Financing:

"Eligible Tenant" shall mean any person entitled to rent an Affordable Very Low Income Unit.

"Event of Acceleration" means any of the following events upon which the City Acquisition Loan shall become due and immediately payable: (a) any refinancing of any City-approved Construction Loan, unless the amount refinanced does not exceed the outstanding principal of the Construction Loan plus costs incurred by Developer to operate and manage the Property in excess of net operating income of the Project; (b) an uncured default by Grantee on the City Acquisition Loan Note, the City Acquisition Loan Deed of Trust, the City Grant Deed or the Regulatory Agreement; or (c) an uncured default by Grantee on the promissory note evidencing any Construction Loan, or Construction Loan deed of trust or any other Construction Loan document, or any other lien or encumbrance on the Property.

"Loan Date" means and refers to the date upon which the City Acquisition Loan Note is executed by Developer.

2. **Developer's Acquisition Price**.

The Developer shall pay a purchase price for the Property equal to Seven Hundred Thousand Dollars ($700,000) (the "Acquisition Price"). The Acquisition Price shall be paid at Closing by (a) release of the Good Faith Deposit (and any Extension Deposit, if applicable) to the City and (b) Developer's execution and delivery of the City Acquisition Loan Note to the City and Developer's execution in recordable form of the City Acquisition Loan Deed of Trust.

3. **Sources of Financing**.

The parties anticipate that the costs of the acquisition and development of the Property and the rehabilitation and construction of the Improvements thereon (the "Development Costs") shall be financed with a combination of the City Acquisition Loan and other funds as follows:

a. The City Acquisition Loan.

b. Developer's funds, grants and/or cash contributions to the Developer.

c. At the option of Developer, the proceeds of a Construction Loan or similar financing permitted by the DDA.

d. In-kind donations of labor or materials.

e. Developer shall be responsible, during the construction period, to provide funds if and as needed to pay for cost overruns and contingencies not otherwise funded by the proceeds or availability of Items a-d, inclusive of this Section 3.

4. **Evidence of Financing and Management Plan**.

a. Prior to the Closing, Developer must submit a detailed description of Developer's proposed Method of Financing for the Project, for review and approval by the City Manager (or designee) in accordance with Section 6.6 of the DDA, along with evidence reasonably satisfactory to the City Manager (or designee) that the Developer has obtained firm and binding commitments for financing or contributions necessary to fund development of the Property in accordance with the DDA and approved Plans, including, to the extent applicable, loan commitments for any required debt financing.

b. Developer will prepare and submit a Management Plan, in form and substance as required by the Regulatory Agreement, to the City for approval in accordance with Section 6.6 of the DDA. Such plan must be consistent with the DDA and contain the overall plan for the use, Leasing and occupancy of the Units. The City shall not unreasonably withhold its approval of such Management Plan.

5. **Closing Requirements.** The Developer and the City acknowledge and agree that approval of Developer's proposed Method of Financing by the City shall be a condition to Closing for the benefit of both the City and the Developer.

6. **Lease of Units to Very Low Income Occupants**

Developer must Lease the Units to Very Low Income Occupants at a leasing rate such that their total Rental Cost will not exceed an Affordable Rental Cost.

7. **City Acquisition Loan**

Subject to the DDA and the terms and conditions set forth herein, the City will provide the City Acquisition Loan to Developer as described in the DDA and this Method of Financing, and the following:

a. The City Acquisition Loan will be evidenced by the City Acquisition Loan Note to the City, and secured by the City Acquisition Loan Deed of Trust encumbering the Property naming the City as the beneficiary, subordinate only with the prior written approval of the City to any construction loan deed of trust securing any construction loan required by the Developer to pay for the costs of the development of the Project, in a form that is consistent with the DDA and acceptable to the City Manager in its reasonable discretion.

b. The City Acquisition Loan shall be repaid to City by Developer pursuant to the City Acquisition Loan Note providing for repayment of the City Acquisition Loan, including principal and simple interest on unpaid principal in the amount of one-quarter of one percent (0.25%) per annum commencing upon Completion. The City Acquisition Loan shall be repaid from residual rental income from the Property. Subject to Section 7.c below, the City Acquisition Loan Note shall mature and be fully due and payable on the date which is thirty (30) years after Completion provided that the City Acquisition Loan Note may be prepaid, in full or in part, at any time prior to maturity without any prepayment penalty.

c. The City Acquisition Loan will be due and payable upon an Event of Acceleration, including an uncured violation of Article 3 of the Regulatory Agreement.

d. The provisions of this Method of Financing will be binding on Developer, its successors and assigns and will be reflected in the City Acquisition Loan Note and the City Acquisition Loan Deed of Trust.

ATTACHMENT NO. 3

SCHEDULE OF PERFORMANCE

1.	Execution of DDA by the City. The City will authorize the City Manager to execute the DDA and the City Manager will execute the DDA on behalf of the City.	Following approval and authorization by the City Council and within sixty (60) days after delivery to City of executed DDA by Developer.
2.	Submission – Governmental Approvals and Permits. Developer will submit to the City for approval complete applications for Governmental Approvals and Plans required for the Project.	Within ninety (90) days after the first to occur of the expiration of the Due Diligence Period.
3.	Approval – Governmental Approvals and Permits. The City will approve or disapprove the applications for Governmental Approvals and Plans required for the Project.	Within such time as contemplated in the Municipal Code.
4.	Good Faith Deposit. Developer will deposit the Good Faith Deposit with the Escrow Agent	Within five (5) days of the opening of the Escrow.
5.	Developer's Approval Notice. Developer submission of Approval Notice.	On or before the expiration of the Due Diligence Period.
8.	Due Diligence Period. Developer' Due Diligence Period.	Will commence upon the Effective Date and expire one hundred and eighty (180) days thereafter, unless extension required by DDA.
9.	Submission – Proposed Method of Financing and Management Plan. Developer will submit to the City Developer's proposed Method of Financing (with supporting documentation) and proposed management plan.	Thirty (30) days prior to the Scheduled Closing Date but in any event thirty (30) days prior to the Outside Closing Date.
10.	Approval – Proposed Method of Financing and Management Plan. City will approve or disapprove Developer's Proposed Method of financing and proposed management plan.	Within thirty (30) days of the submission of proposed Method of Financing and proposed management plan by Developer.

11.	Miscellaneous Closing Conditions. Developer to submit for City approval any remaining information and documentation required by the DDA and attachments.	Concurrently with submission of Developer's proposed Method of Financing.
12.	Approval - Closing Conditions. City will review and approve or disapprove information and documentation required by the DDA and attachments.	Within one (1) month after submittal.
13.	Opening of Escrow. The City will open an escrow for the conveyance of the Property.	Within thirty (30) days of the Effective Date of the DDA.
14.	Scheduled Closing Date. All conditions precedent to the Closing will be satisfied.	Thirty (30) days after satisfaction of the conditions for Developer's benefit specified in Section 2.2.b.1(b) of the DDA.
15.	Expiration of Developer's Extension Right. Developer's one-time right to extend the Outside Closing Date and deposit the Extension Deposit with the Escrow Agent.	Ten (10) days prior to the Outside Closing Date.
16.	Outside Closing Date. Closing shall in any event occur on or before the Outside Closing Date.	Twelve (12) months after the expiration of the Due Diligence Period.
17.	Start of Construction. Developer will commence rehabilitation and construction of the Units on the Property.	Not later than 90 days after the Closing.
18.	Completion of Construction. Developer will complete rehabilitation and construction.	Not later than 24 months after commencement of construction.
19.	Tenant Selection. Developer will complete its selection of initial Eligible Tenants	Not later than thirty (30) days after Completion.

20.	Lease of Units. Developer shall Lease all six Units.	Not later than sixty (60) days after Completion.

The time requirements set forth in this Schedule of Performance are subject to written amendments approved by the City Manager provided Developer is diligently proceeding with its obligations under the DDA, and to Force Majeure Delay

ATTACHMENT NO. 4

FORM OF CITY GRANT DEED

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

CITY OF ORANGE
300 East Chapman Avenue
Orange, California 92866
Attn:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APNs: 041-141-12, 041-141-11, and 041-141-10 OFFICIAL BUSINESS
(Exempt from Recording Fees per *Gov. Code* § 6103 & 27383)

GRANT DEED

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, the CITY OF ORANGE, a municipal corporation of the State of California ("Grantor") grants to SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation ("Grantee") the real property described in the document attached hereto, labeled Exhibit "A" and incorporated by this reference (the "Property").

1. The Property is conveyed in accordance with and subject to the Disposition and Development Agreement (the "DDA") entered into by and between Grantor and Grantee, dated as of April ____, 2021, which document is a public record on file in the offices of the City Clerk of the City of Orange, and is by reference incorporated herein as though fully set forth herein. Any capitalized terms not defined herein shall have the meanings ascribed to such terms in the DDA.

2. Title to the Property is conveyed free of all recorded liens, encumbrances, covenants, encroachments, assessments, easements, leases and taxes except those certain Permitted Exceptions permitted pursuant to the DDA, and except for the provisions, terms and conditions of this Grant Deed, that certain Regulatory Agreement entered into by Grantor and Grantee and recorded of even date herewith against the Property, and that certain City Acquisition Loan Deed of Trust executed by Grantee in favor of Grantor and recorded of even date herewith against the Property.

3. Grantee covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Property or any part thereof) that Grantee, its successors and assigns will use the Property as follows:

a. Rehabilitate the three (3) dwelling units currently located on the Property, and construct an additional three (3) accessory dwelling units and ancillary facilities on the Property (which rehabilitated and constructed dwelling units are collectively referred to in this Grant Deed as the "Units") in accordance with the DDA.

b. Grantee covenants and agrees for itself, its successors, assigns and any successor in interest to the Property, or any portion thereof, to Lease the Units exclusively to Very Low Income Households, for a rental rate which, after application of available payments or subsidies from any local, state or federal sources, will not exceed an Affordable Rental Cost; and

c. Maintain (or cause the Occupants to maintain) the interior and exterior of the improvements and the landscaping on the Property as required under the City of Orange Municipal Code ("OMC") and otherwise in a manner consistent with community standards for similar affordable housing projects in the City or Orange (collectively, the "Maintenance Standards"), as follows:

(1) Exterior Maintenance. All exterior, painted surfaces of any structures located on the Property will be maintained at all times in a clean and presentable manner.

(2) Front and Side Exteriors. Grantee will, at all times, maintain the front exterior and any visible side exteriors and yards, if any, in a clean, safe and presentable manner.

(3) Graffiti Removal. All graffiti, and substantial defacement of any type, including symbols, words and pictures, will be removed from the Property and any necessary painting or repair completed within a reasonable time, but in no event more than one (1) week after notice to Grantee from Grantor.

(4) Landscaping. All landscaping surrounding the Property will be maintained in a manner consistent with the Maintenance Standards and any specific rules, regulations and standards adopted pursuant to the OMC.

(5) Restoration of Damaged Improvements. If all or any portion of the Property or the Improvements thereon is damaged or destroyed by fire or other

casualty, it will be the duty of Grantee to rebuild, repair or reconstruct the Property in a timely manner to restore it to a condition compliant with the Maintenance Standards.

(6) Variance in Exterior Appearance and Design. If the Property is damaged or destroyed by casualty, Grantee may not reconstruct, rebuild or repair the Property in a manner which will provide materially different exterior appearance and lot design from that which existed prior to the date of the casualty without the prior written consent of Grantor which shall not be unreasonably withheld or conditioned.

(7) Time Limitation. In the event of damage or destruction due to casualty, Grantee will be obligated to proceed with all due diligence to commence reconstruction within six (6) months after the damage occurs and to complete reconstruction within a reasonable time after damage occurs, unless prevented by causes beyond the reasonable control of Grantee.

(8) Inspection. Grantor shall have the right to conduct annual inspections of the Property to confirm compliance with the foregoing maintenance obligations; provided that Grantor shall provide not less than ten (10) days prior notice of such inspections, and all such inspections shall be conducted subject to, and in a manner so as to minimize any adverse impact on, the rights of the Occupants under the Leases. If Grantor, in the reasonable discretion of the City Manager, determines that Grantee has failed to maintain the Property, Grantor, or its designee, on thirty (30) days prior written notice of any noted code violations and maintenance deficiencies (collectively, the "Deficiencies"), will have the right, but not the obligation, to enter the Property, correct any Deficiency not repaired or remediated by Grantee or its agents within such 30-day period, and hold Grantee responsible for the reasonable cost thereof. Any reasonable costs incurred by the Grantor to cure any such Deficiency, until paid, will constitute a lien on the Property pursuant to Civil Code Section 2881.

4. Grantee hereby covenants for itself, its successors, its assigns and every successor in interest to the Property that, prior to recordation of a Release of Construction Covenants for the improvements (the "Improvements") on the Property in accordance with the DDA:

a. The Grantee will have no power to make any sale, transfer, conveyance, encumbrance, lease or assignment of the Property, or any part thereof, or any buildings or improvements thereon, without the prior written approval of the Grantor in accordance with the provisions of the DDA, except (i) to municipal

corporations or public utilities or others as grantee for easements of permits to facilitate development of the Property, (ii) in connection with a Permitted Transfer provided for in the DDA, (iii) any deed of trust securing a construction loan approved by the City Manager (or designee) in accordance with the DDA and (iv) the Lease for occupancy of Units subject to the requirements of the DDA, this Grant Deed and the Regulatory Agreement.

b. The Grantee will not place or suffer to be placed on the Property any lien or encumbrance without the prior reasonable approval of the Grantor in accordance with the DDA.

5. The Grantee covenants and agrees for itself, its successors, assigns and any successor in interest to the Property, that there will be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, national origin, ancestry, age, physical handicap, medical condition, marital status, sex, sexual orientation or any other basis prohibited by applicable law in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of their Property, nor will the Grantee itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. The foregoing covenants will run with the land.

The Grantee will refrain from restricting the sale or lease of the property on the basis of sex, sexual orientation, marital status, race, color, creed, religion, ancestry, national origin or any other basis prohibited by applicable law. All deeds, leases or contracts will contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there will be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor will the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants will run with the land."

2. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there will be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

3. In contracts: There will be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor will the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land."

6. If any of the following defaults occur after the Closing (but prior to Completion), Grantor will have the right to exercise the right of re-entry set forth in, and subject to the terms of, this Section 6:

a. Grantee fails to commence repair and/or construction of the Units on or before the date specified in the Schedule of Performance (subject to Force Majeure) and such failure continues for a period of ninety (90) days after written notice from Grantor, unless Grantee obtained an extension or postponement to which Grantee may be entitled pursuant to the DDA; or

b. Grantee abandons or substantially suspends construction of the improvements for any reason other than a Force Majeure Delay for a period of one hundred twenty (120) days after written notice has been given by Grantor to Grantee, unless Grantee obtained an extension or postponement to which Grantee may be entitled to pursuant to the DDA.

c. Grantor will have the right, at its option, to re-enter and take possession of the Property with all Improvements located thereon (including any renovations, repairs or new construction performed by Grantee prior thereto), and in such event Grantee agrees that Grantee will take such actions and execute such instruments necessary or proper to vest in Grantor fee title to the Property.

d. Upon the vesting in Grantor of title to the Property, or any part of the Property, as provided in this Section 6, Grantor will use its best efforts to resell the Property, or any part of the Property, as soon and in such manner as Grantor will find feasible and consistent with applicable provisions of law to a qualified and responsible party or parties (as reasonably determined by Grantor), who will assume the obligation of making or completing the Project, or such other improvements to the Property, as will be satisfactory to Grantor and in accordance with the uses specified for the Property as contemplated herein, or any part of the Property. Upon such resale of the Property, or any part of the Property, the proceeds will be applied as follows:

(1) First, to reimburse Grantor for all costs and expenses reasonably incurred by Grantor in connection with the recapture and resale of the Property, or any part thereof; all taxes, assessments and water and sewer charges with respect to the Property or any part of the Property; any payments made or necessary to be made to discharge or prevent from attaching or being made any mechanics' liens or other subsequent encumbrances or liens due to obligations, defaults or acts of Grantee, its successors or transferees; any expenditures made or obligations incurred with respect to the making or completion of the agreed improvements on the Property, or any part of the Property; and

(2) Second, to reimburse Grantee, its successor or transferee, up to the amount equal to the costs incurred for the development of the Property, or any part of the Property (including costs incurred prior to Closing), or for the repair, renovation or construction of the Units. Any balance remaining after such reimbursements, if any, will be retained by Grantor.

e. Such right to re-enter, take possession of and re-vest title in the Grantor will be subject to, be limited by, and will not defeat, render invalid or limit: (a)

any bona fide deed of trust, or other security instrument of sale and leaseback or other conveyance for financing entered into in accordance with the DDA; and (b) any rights or interest provided in the DDA for the protection of the holder of such bona fide, permitted deeds of trust or other security instruments, the lessor under such sale and leaseback, or the grantee under such other conveyance for financing.

f. To the extent that the right established in this Section involves a forfeiture, it must be strictly interpreted against Grantor, the party for whose benefit it is created. The rights established in this Section are to be interpreted in light of the fact that Grantor will convey the Property to Grantee for development and not for speculation.

g. The rights established in this Section 6 shall immediately terminate at such time as Grantee has achieved Completion, whether or not Grantor has issued a Release of Construction Covenants.

7. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed or in the DDA will defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other security instrument permitted by this Grant Deed and made in good faith and for value; provided, however, that any subsequent owner of the Property will be bound by such remaining covenants, conditions, restrictions limitations and provisions, whether such owner's title was acquired by foreclosure, trustee's sale or otherwise, and will be entitled to all the benefits granted to Grantee and its assigns hereunder.

8. Following the recording of the Release of Construction Covenants in accordance with the DDA, the only on-going obligation of Grantee, and its successors and assigns will be as provided in Sections 3.b., 3.c., and 5 hereof.

9. The covenants established in this Grant Deed will, without regard to technical classification and designation, be binding on Grantee and any successor in interest to the Property or any part thereof or any interest therein for the benefit and in favor of the Grantor, its successors and assigns. The Grantor is deemed to be a beneficiary of the terms and provisions of this Agreement and the covenants herein, both for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private.

10. None of the terms, covenants, agreements, or conditions heretofore agreed upon in writing in other instruments between the parties to this Grant Deed with respect to obligations to be performed, kept or observed in respect to the Property after this conveyance of the Property, will be deemed to be merged with this Grant Deed.

11. Both before and after recording of the Release of Construction Covenants, only the Grantor, its successors, and assigns, and Grantee and the successors and assigns of Grantee in and to all or any part of the fee title to the Property, or any part thereof, will have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants, easements, or other restrictions contained in this Grant Deed or to subject the Property to additional covenants, easements, or other restrictions without the consent of any tenant, lessee, easement holder or licensee. The covenants contained in this Grant Deed without regard to technical classification or designation will not benefit or be enforceable by any person, firm, or corporation, public or private, except the Grantor and Grantee and their respective successors and assigns.

12. Except as otherwise provided in this Grant Deed, every covenant and condition and restriction contained in this Grant Deed will remain in effect for fifty-five (55) years from the date of recordation of the Release of Construction Covenants. The covenants set forth in Sections 3.a. and 4 will terminate upon the issuance by the Grantor of the Release of Construction Covenants. The covenants against discrimination set forth in Section 5 will remain in perpetuity.

13 In the event of any express conflict between this Grant Deed and the DDA, the provisions of this Grant Deed will control.

IN WITNESS WHEREOF, the Grantor has caused this instrument to be executed on its behalf.

CITY OF ORANGE

Dated:_____, 20__ By:_____

APPROVED AS TO FORM AND LEGALITY:
GARY A. SHEATZ, CITY ATTORNEY

By:_____

APPROVED AS TO FORM:
KANE, BALLMER & BERKMAN
Special Counsel to the City

By: _____

The undersigned Grantee hereby accepts and agrees to be bound by the terms, conditions and covenants of this Grant Deed.

SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation

Dated:_____, 20__

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

EXHIBIT A

LEGAL DESCRIPTION

Real property in the City of Orange, County of Orange, State of California, described as follows:

ATTACHMENT NO. 5

SCOPE OF DEVELOPMENT

Developer, Shelter Providers Of Orange County, Inc., a California nonprofit corporation, will rehabilitate the three (3) dwelling units currently located on the Property, construct an additional three (3) accessory dwelling units and ancillary facilities on the Property (collectively the three (3) dwelling units to be rehabilitated and the three (3) dwelling units to be constructed are referred to as the "Units") in accordance with Plans approved for such rehabilitation and construction by the City (the "Project"), all in accordance with the Disposition and Development Agreement entered into by Developer and the City with respect to the Property and the Project (the "DDA").

The rehabilitation and construction of the Units will be in accordance with the DDA and all applicable City codes, ordinances and regulations and the applicable codes, statutes and regulations of any other governmental agency with jurisdiction over the Project, and shall comply with all historical preservation requirements and historic structure design guidelines of and enforced by the City.

1. **PARTIES AND DWELLING UNIT:**

The parties to this Rental Agreement (Agreement) are:_____ referred to as the Landlord, and _____referred to as the Resident.

The Landlord leases to the Resident, a unit located at _____ designated as unit number_____, together with the following fixtures and appliances:

☐ Refrigerator ☐ Dishwasher
☐ Stove ☐ Central Air and Heating

In the community known as _____

2. TERM:

The initial term of this Agreement shall begin on_____, and end on _____; or until terminated by either party provided in this Agreement. Following the initial term, residency shall be on a month to month basis subject to the agreement.

3. RENT:

The Resident agrees to pay $_____for the partial month ending on_____. After that, Resident agrees to pay a rent of $_____per month. This amount is due on the 1st day of the month at_____.

4. PAYMENT INSTRUCTIONS:

All amounts due Landlord are payable to _____
Payment must be made by: Money Order Cashier's Check Cash or Personal Check. The normal hours available to make payments in person are from 8:00 am to 5:00 pm on all non-holiday Weekdays. The normal days of operation are from Monday to Friday.

5. CHANGES IN RESIDENT'S SHARE OF RENT:

The Resident agrees the amount of rent the Resident pays may be changed during the term of the Agreement if the:

A. Agency providing housing assistance / rent subsidy determines, in accordance with Program procedures, that a revision in rent is needed;
B. Contract Administrator changes any allowance for utilities or services considered in determining the Resident's rent;
C. Income, the number of persons in the Resident's household or other factors considered in determining the Resident's rent.
D. Procedures for determining the Resident's rent change; or
E. Landlord agrees to implement changes in the Resident's rent only in accordance with the time frames and administrative procedures set forth in instructions and regulations related to administration of the Program. The Landlord agrees to give the Resident at least thirty (30) days advance written notice of any increase in the Resident's rent, except as noted in paragraph 23. The Notice shall state the new amount the Resident is required to pay, the date the new amount is effective, and the reasons for the change in rent. The Notice will also advise the Resident that he/she may meet with the Landlord to discuss the rent change.

6. CHARGES FOR LATE PAYMENTS AND DISHONORED CHECKS:

Rent is due on or before the 1st day of the month and late when paid on the 2nd day of the month. If the Resident does not pay the full amount of the rent shown in paragraph 3 by the end of the 5th day of the month, the Landlord may collect a fee of $ 25.00 on the 6th day of the month. You agree that it would be impracticable or extremely difficult to fix the actual damage to us and that the Late Charge is a reasonable estimate of the actual damages that the parties reasonably believe would occur as a result of late payment. For dishonored checks, you will incur a $25 charge for the first dishonored check and $35 for any subsequent dishonored check. After receiving any dishonored check, we reserve the right to require all further payments from you to be made by money order, certified check or cashier's check.

7. VERY-LOW INCOME HOUSING

Rent for the Units to Eligible Tenants shall be ~~at~~ no more than the allowable Affordable Rental Cost for a household size appropriate to the Unit. The rental rates for the Units shall be adjusted annually based upon annual updates of the applicable income and rent standards, including but not limited to updates published by the California Housing and Community Development Department and the United States Department of Housing and Urban Development. In no event shall any of the Units be rented at a rate greater than the applicable Affordable Rental Cost as specified by the City.

An Affordable Very Low Income Unit initially occupied by an Eligible Tenant shall be deemed occupied by an Eligible Tenant until such Unit is vacated, even if the tenant's household income subsequently increases to an amount that exceeds the maximum allowable income level for an Extremely Low Income Household or a Very Low Income Household or a Low Income Household or a Moderate Income Household respectively, so long as satisfactory actions are taken to ensure that all vacancies are filled in accordance with this Agreement until the noncompliance is corrected.

8. SECURITY DEPOSIT:

A security deposit in the amount of $_____ shall be required by the Resident at the time of execution of this Agreement. The Landlord will hold this security deposit for the period the Resident occupies the unit. After the Resident has vacated the unit, the Landlord will determine whether the Resident is eligible for a refund of any or all of the security deposit. The amount of the refund will be determined in accordance with the following conditions and procedures.

A. The Landlord will refund to the Resident the amount of security deposit less any amount needed to pay the cost of:
    a Unpaid rent;
    b Damages that are not due to normal wear and tear and are not listed on the Unit Inspection Report done to the premises by the Resident, his/her family, guests or agents.
    c Charges for late payment of rent as described in paragraph 6; and
    d Charges for un-returned keys, cards and transmitters.
B. The Landlord will refund the amount computed within twenty-one (21) days after the Resident has permanently vacated the unit, returned possession of the unit to the Landlord, and given his/her new address to the Landlord. The Landlord will also give the Resident a written list of charges that were subtracted from the deposit. If the Resident disagrees with the Landlord concerning the amounts deducted and asks to meet with the Landlord, the Landlord agrees to meet with the Resident and informally discuss the disputed charges.
C. If more than one person rents the unit, the Residents agree that they will work out the details of dividing any refund among themselves. The Landlord may pay the refund to any Resident identified in paragraph 1 of this Agreement.
D. The Resident understands that the Landlord will not count the Security Deposit towards the last month's rent.

9. CHARGES FOR UTILITIES AND SERVICES:

The following chart describes how the cost of utilities and services related to occupancy of the unit will be paid. The Resident agrees that these charts accurately describe the utilities and services paid by the Landlord and those paid by the Resident.

A. The Resident must pay for the utilities in column (1). Payments should be made directly to the appropriate utility company. The items in column (2) are included in the Resident's rent.

(1) Put an "x" by any utility Resident pays directly.	Utility	(2) Put an "x" by any utility included in Resident's rent.
	Heat	
	Lights	
	Cooking	
	Water	
	Trash and Sewer	

A. The Resident agrees to pay the Landlord the amount shown below on the date the rent is due. Show dollar amount Resident pays to Landlord in addition to Rent, if any.

Parking $

Other $

10. EXCESS RENTS:

If it is determined that the premises are not a qualified low-income unit under Section 42 (I) (3) of the Internal Revenue Code because the rent paid by the Residents, plus the applicable utility allowance, for the lease term exceeds the maximum rent allowed, the Landlord shall immediately pay to the Resident the amount of such excess, with interest. If the Resident no longer occupies the premises when the excess rent determination is made, the Landlord shall use its best efforts to locate the Resident for purposes of repaying the excess rent.

11. ACCESS BY LANDLORD:

Landlord agrees to enter the unit during reasonable hours, after providing no less than a twenty- four (24) hour notice, to complete the following:

A. Make necessary or agreed upon repairs;
B. Inspection for compliance with the terms of this Agreement;
C. Show the unit to lenders, purchases, applicants, contractors, repair workers, or representatives from a funding program;
D. Perform contracted pest control services;
E. Conduct annual and any other inspections.

12. RECERTIFICATION:

Every year on or about the 1st day of_____, the Landlord will request the Resident to report the income and composition of the Resident's household and to supply any other information required for the purposes of determining the Resident's continued Program eligibility. The Resident agrees to provide accurate statements information and to do so by the date specified in the Landlord's request. The Landlord will verify the information supplied by the Resident and use the verified information to determine Program eligibility. The Resident agrees that all information supplied by the Resident shall be subject to inspection by representatives from the Tax Credit Allocation Committee and other funding agencies.

A. If the Resident does not submit the required recertification information by the date specified in the Landlord's request, the Landlord may impose the following penalties. The Landlord may implement these penalties only in accordance with the administrative procedures and time frames specified in handbooks and instructions related to the administration of the Program.
   a Require the Resident to vacate.

B. The Resident may request to meet with the Landlord to discuss any changes resulting from the recertification processing. If the Resident requests such a meeting, the Landlord agrees to meet with the Resident and discuss how the Resident's continued Program eligibility was determined.

13. REPORTING CHANGES BETWEEN RECERTIFICATION:

All Residents shall notify the Landlord immediately in writing, if the household size changes, if any household member's income increases, if any household member becomes a full-time student, or if the household begins to receive housing assistance / rent subsidy. The Landlord may elect not to renew this Rental Agreement if the household's income, at any given time, exceeds one hundred- forty percent (140%) of the Area Median Gross Income limit and / or if a household member becomes a full-time student, as determined by the Landlord that such full-time student status would disqualify the household under the Program. The Landlord may adjust the Resident's rent and or utility allowance to reflect the Resident's status if the Resident becomes a housing assistance / rent subsidized household.

14. RULES:

The Resident agrees to obey the House Rules, which are attached to this Agreement, per item 40. The Resident agrees to obey additional rules established after the effective date of this Agreement if the rules are reasonably related to the safety, care and cleanliness of the building and the safety, comfort and convenience of the Residents.

15. MAINTENANCE:

The Resident agrees to:

A. Keep the unit clean;
B. Use all appliances, fixtures and equipment in a safe manner and in the manner intended;
C. Not to litter the grounds or common areas of the community;
D. Not destroy, deface, damage or remove any part of the unit or common areas and grounds;
E. Give the Landlord prompt notice of any defects in the plumbing, fixtures, appliances, heating and cooling equipment or any other part of the unit or related facilities; and
F. Remove garbage and other waste from the unit in a clean and safe manner.

16. CONDITION OF DWELLING UNIT:

By signing this Agreement, the Resident acknowledges that the unit is safe, clean and in good condition. The Resident agrees that all appliances and equipment in the unit are in good working order, except as described on the Unit Inspection Report, which is Attachment No. 1, paragraph 40 of this Agreement. The Resident also agrees that the Landlord has made no promises to decorate, alter, repair or improve the unit, except as listed on the Unit Inspection Report.

17. KEYS AND LOCKS:

The Resident agrees not to install additional or different locks or gates on any doors or windows of the unit without prior written authorization of the Landlord. If the Landlord approves the Resident's request to install such locks, the Resident agrees to provide the Landlord with a key for each lock. When this Agreement ends, the Resident agrees to return all keys to the unit to the Landlord.

18. DAMAGES:

Whenever damage is caused by carelessness, misuse, or neglect on the part of the Resident, household members or guests, the Resident agrees to pay:

A. The cost of all repairs and do so within thirty (30) days after receipt of the Landlord's demand for the repair charges; and
B. Rent for the period the unit is damaged whether or not the unit is habitable. For any such period, the Resident agrees to pay the rent amount shown in paragraph 3 of this Agreement.

19. RESTRICTIONS ON ALTERATIONS:

Resident agrees to obtain written authorization from the Landlord prior to:

A. Changing or removing any appliance, appliance part, fixtures or equipment in the unit;
B. Painting or installing wallpaper or contact paper in the unit;
C. Attaching awnings or window guards in the unit;
D. Attaching or placing fixtures, signs, or fences on the building(s), or common areas or grounds;
E. Attaching any shelves, screen doors, or other permanent improvements in the unit;
F. Installing washing machines, dryers, fans, heaters, or air conditioners, dishwasher, freezers;
G. Placing any aerials, antennas or other electrical connections on the unit.

20. SIZE OF DWELLING UNIT:

Resident understands units are assigned according to the size of the household. If the Resident is or becomes eligible for a different size unit, and the required size unit becomes available, the Resident agrees to:

A. Move within thirty (30) days after the Landlord notifies him/her that a unit of the required size is available within the community; or
B. Vacate the community.

21. WATERBEDS AND AQUARIUMS:

Waterbeds are permitted only with written authorization from the Landlord, in accordance with California law. Permission may be conditioned on insurance protecting the community, an increased security deposit and installation and maintenance in accordance with industry standards. Aquariums are permitted only with written authorization from the Landlord and must not exceed five (5) gallons.

22. GENERAL RESTRICTIONS:

The Resident must live in the unit and the unit must be the Resident's only place of residence. The Resident shall use the premises only as a private dwelling for himself/herself and the individuals listed on the Certification and Recertification of Resident Eligibility and paragraph 40 of this agreement. The Resident agrees to permit other individuals to reside or visit for a period of over three (3) days only after obtaining the prior written approval of the Landlord. The Resident agrees upon threat of eviction not to:

A. Sublet or assign the unit, or any part of the unit;
B. Use the unit for unlawful purposes;
C. Use premises for any purpose deemed hazardous by insurance companies;
D. Engage in or permit unlawful activities in the unit, in the common areas or community grounds;
E. Permit guests or other household members to engage in unlawful activities in the unit, in the common areas or community grounds. These unlawful activities include but are not limited to the possession, use and/or sale of illegal drugs and disturbances or acts of violence that damage or destroy the dwelling unit or disturb, graffiti, or injury to other Residents.
F. Have pets or animals of any kind in the unit without prior written permission of the Landlord;
G. Make or permit noises or acts that will disturb the rights or comfort of neighbors. The Resident agrees to keep the volume of any radio, television or musical instrument etc. at a level, which will not disturb the neighbors.
H. Allow any individual other than those identified as authorized occupants in this agreement to reside in the unit.

23. HAZARDS:

The Resident shall not undertake, or permit his/her household or guests to undertake any hazardous acts or do anything that will increase the community's insurance premiums. If the unit is damaged by fire, wind, or rain to the extent that the unit cannot be lived in, and the damage is not caused or made worse by the Resident, the Resident will be responsible for rent only up to the date of the destruction. Additional rent will not accrue until the unit has been repaired to a livable condition.

24. DRUG FREE COMMUNITY:

Under California Landlord/Tenant Law, the use of your apartment for the illegal sale of drugs and other controlled substances as defined by the Penal Code and the Health and Safety Codes of the State of California is considered an incurable violation of terms of the rental agreement and this section of the House Rules and will result in an immediate legal action for your eviction. The possession, use, sale or distribution of illegal drugs by you or any of your guests, visitors, friend or relatives in or about the premises of the apartment complex will not be tolerated and will result in eviction. Any arrest made in your apartment for the use, sale, distribution or delivery of illegal drugs will be considered grounds for an immediate eviction against your household.

25. CRIME FREE COMMUNITY:

In consideration of the execution or renewal of a Rental Agreement, or of the dwelling unit identified in the Rental Agreement, the Landlord and Resident agree as follows:

A. The Resident, any member of the Resident's household, or guest or other person under the Resident's control shall not engage in criminal activity, including drug-related criminal activity on or near development premises. "Drug-Related Criminal Activity" means the illegal manufacture, sale, distribution, use or possession with the intent to manufacture, sell, distribute, or use, of a controlled substance as defined in Section 102 of the Controlled Substances Act, 21 U.S.C. 802.
B. The Resident, any member of the Resident's household, or guest or other person under the Resident's control shall not engage in any act intended to facilitate criminal activity that threatens the health, safety, right to peaceful enjoyment of the premises by other Residents; any criminal activity that threatens the health, safety, or right to peaceful enjoyment of their residences by persons residing in the immediate vicinity of the premises; any criminal activity that threatens the health or safety of on-site property management staff responsible for managing the premises; or any drug related criminal activity on or near such premises, engaged in by a Resident, any member of the Residents household, or any guest or other person under the Resident's control shall be ground for termination of tenancy.
C. The Resident or members of the Resident's household will not permit the dwelling unit to be used for, or to facilitate, criminal activity, including drug-related criminal activity, regardless of whether the individual engaging in such activity is a member of the household or a guest.
D. The Resident or members of the household will not have in possession, engage in the manufacture, sale or distribution of illegal drugs at any location whether on or near community premises or otherwise.
E. The Resident, any member of the Resident's household, or guest or other person under the Resident's control shall not engage in acts of violence or threats of violence, including, but not limited to, the unlawful discharge of firearms, on or near community premises.
F. Violation of the above provision shall be a material violation of the Rental Agreement and good cause for termination of residency. A single violation of any of the above provisions shall be deemed a serious violation and a material noncompliance with the Rental Agreement. Unless otherwise provided by law, proof of violation shall not require criminal conviction, but shall be by a preponderance of the evidence.

26. SMOKE FREE COMMUNITY:

This community is smoke free, meaning smoking of any form of tobacco is not allowed, including vaping.

27. DISCRIMINATION PROHIBITED:

The Landlord agrees not to discriminate based upon race, national origin, familial status, disability, color, religion, sex or any additional protected classes as identified by local. State or Federal law.

28. HARASSMENT:

Resident and people under Resident's control may not harass (sexually or otherwise) Landlord or any representative of the Landlord.

29. PENALTIES FOR SUBMITTING FALSE INFORMATION:

If the Resident deliberately submits false information regarding income, family composition or other data on which the Resident's eligibility is based, the Landlord may require the Resident to vacate.

30. CHANGE IN RENTAL AGREEMENT:

The Landlord may change the terms and conditions of this Agreement. The Landlord must notify the Resident. The Resident may accept the changed terms and conditions by signing the new Agreement or the amendment to the existing Agreement and returning it to the Landlord. The Resident may reject the changed terms and conditions by giving the Landlord written notice that he/she intends to terminate the tenancy. The Resident must give such notice at least thirty (30) days before the proposed change will go into effect. If the Resident does not accept the amended Agreement, the Landlord may require the Resident to move from the community.

31. DEFAULT

In the event Resident breaches the Agreement and abandons the property before the end of the term, or if Resident's right to possession is terminated because of a breach of the Rental Agreement, the Rental Agreement terminates and Landlord may recover from Resident the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award, exceeds the amount of such rental loss for the same period that Lessee proves could be reasonable avoided.

32. ATTORNEY FEES

In any legal action brought by either party to enforce the terms of this Agreement, the prevailing party will be entitled to all costs incurred in connection with that action, including reasonable attorney fees not to exceed $750.

33. CRIMINAL BACKGROUND INVESTIGATION:

By signing this Rental Agreement, to the best of Resident's knowledge, neither the Resident nor any occupant of the household is subject of a criminal investigation or arrest warrant. The Resident hereby authorizes the Landlord to perform a criminal background investigation of the Resident or any occupant of the household in the event the Landlord, in its sole discretion, has reason to believe the Resident or any occupant is engaged in criminal activity in the household or at the Community.

34. THE RESIDENT'S REPRESENTATIONS TO LANDLORD:

The Resident represents and warrants that all information provided to Landlord, including the information provided in the application for the rental of the Apartment (the "Application), is true, complete and correct. If any information the Resident provides to Landlord is determined to be false, the Resident will be in breach of this Rental Agreement. The Resident understands and agrees that the Application is hereby made a part of the Rental Agreement, and a breach of any representations or warranties in the Application shall be a breach of this Rental Agreement.

35. CONDUCT AND COMPLIANCE WITH AGREEMENT, LAW AND RULES.

Residents are responsible for your own actions, and the actions of your Related Parties. You and the others for which you are responsible: May not create a nuisance on the Residence or Property, and may

not disturb other Property residents or neighbors with excessive noise (loud televisions, stereos, voices, etc.) or otherwise; Must comply with all Landlord rules, regulations and instructions (including posted signs and those specified in this Agreement), and all laws, statutes, ordinances, and requirements of all city, county, state, and federal authorities. We may periodically modify the rules and regulations by delivering a copy of the modifications to you or posting the rules and regulations at the Property; Must notify us in writing of any dangerous condition, deterioration or damage to the Residence and Property (including Common Area Amenities) so that we may make necessary repairs; Are responsible for damage to the Residence and Property caused by the action or inaction of you and your Related Parties. You agree to indemnify, defend (with counsel of our choice), and hold us harmless for any liability, costs (including reasonable attorney fees), or claims resulting from your breach of this Agreement or the negligence, violation of law, or willful misconduct of you or your Related Parties.

36. CALIFORNIA DEPARTMENT OF JUSTICE PENAL CODE NOTIFICATION:

The California Department of Justice, sheriff's departments, police departments servicing jurisdictions of 200,000 or more and many other local law enforcement authorities maintain, for public access, a database of the locations of persons required to register pursuant to paragraph (1) of subdivision (a) of Section 290.4 of the Penal Code. The database is updated on a quarterly basis and is a source of information about the presence of these individuals in any neighborhood. The Department of Justice also maintains a Sex Offender Identification Line through which inquiries about specific individuals they are checking. Information regarding neighborhoods is not available through the "900" telephone service.

37. PROPOSITION 65 WARNING:

The property may contain chemicals known to the State of California to cause cancer, birth defects, and other reproductive harm. These chemicals may be contained in emissions and fumes from building materials, products and materials used to maintain the property, and emission, fumes, and smoke from resident and guest activities, including but not limited to the use of motor vehicles, barbecues and tobacco products. These chemicals may include, but are not limited to carbon monoxide, formaldehyde, tobacco smoke, unleaded gasoline, soots, tars and mineral oils.

38. CONTENTS OF THIS AGREEMENT:

This Agreement and its Attachments make up the entire Agreement between the Resident and Landlord regarding the unit. If any court declares a particular provision of this Agreement to be invalid or illegal, all other terms of this Agreement will remain in effect and both the Landlord and the Resident will continue to be bound by them.

39. NON-WAIVER:

All remedies of Landlord under this Agreement are cumulative and are given without impairing any other rights or remedies of Landlord as provided by law. Failure by Landlord to exercise any right under this Agreement or acceptance of rent after default by Resident, shall not be deemed to waive such default or affect any notice therefore given, or legal proceeding theretofore commenced.

40. ARBITRATION:

In the event a disagreement, claim or other dispute arises between Landlord and Resident with respect to the provisions of paragraphs 5, 19 or 23 of this Agreement, then the dispute shall be referred to arbitration. All claims, disagreement or disputes to be arbitrated pursuant to this paragraph 39 shall be determined by binding arbitration under the auspices of a local, reputable alternative dispute resolution service provider (such as JAMS) before a retired judge of the Superior Court of the State of California, or such other arbitrator that is acceptable to both Landlord and Resident. Such arbitration shall be initiated within ten (10) days after either party sends written notice of a

demand to arbitrate by registered or certified mail, personal delivery or reputable overnight carrier (such as Federal Express) to the other party and to dispute resolution service. In the event that such service no longer exists or if the service fails or refuses to accept submission of such dispute, then the dispute shall be resolved by binding arbitration before the American Arbitration Association in the local region of the community, California. Any attempt to circumvent the terms of this paragraph shall be absolutely null and void and of no force or effect whatsoever.

41. ATTACHED TO THIS AGREEMENT:

The Residents listed in paragraph 1 of this agreement, certify they have received a copy of this Agreement and the following Attachments to this Agreement and understands that these Attachments are part of this Agreement.

a. Attachment No. 1 – Unit Move-in Inspection Initials Initials Initials Initials

b. Attachment No. 2 – House Rules (If any) Initials Initials Initials Initials

42. AUTHORIZED RESIDENTS AND USE:

Due to program requirements, no household members can be added to this agreement within the first six (6) months of the move-in date. In the event any household members vacant the unit management must be informed. Additionally, should the household wish to add household members not listed above, management must be informed. Such persons must complete an Application, as well as the eligibility process to become a resident. In the event all of the household members, which were household members at the time of move-in are no longer part of the household, the remaining household members are not eligible to maintain residency, as per IRS Section 42 requirements.

Residents shall use the unit as their primary places of residence. The unit shall only be occupied by the following individuals:

_____ _____

_____ _____

_____ _____

_____

43. SIGNATURES:

Head of Household: _____ Date: _____

Spouse or Co-Head: _____ Date: _____

Other Resident: _____ Date: _____

Other Resident: _____ Date: _____

Authorized Agent: _____ Date: _____

ATTACHMENT NO. 10

FORM OF REGULATORY AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

THE CITY OF ORANGE
300 E. Chapman Avenue
Orange, CA 92866
Attn:

(Space Above This Line for Recorder's Office Use Only)
APNs: 041-141-12, 041-141-11, and 041-141-10 OFFICIAL BUSINESS
(Exempt from Recording Fees per *Gov. Code* § 6103 & 27383)

REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT ("**Agreement**") is made and entered into this _____ day of _____, 202_, by THE CITY OF ORANGE, a municipal corporation of the State of California ("**City**") and SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation ("**Owner**").

RECITALS:

A. City and Owner ("Developer" therein) have entered into that certain Disposition and Development Agreement, dated _____, 202_ (the "**DDA**"), concerning Owner's acquisition from City of that certain real property owned in fee by Owner, more particularly described in Exhibit A attached hereto and incorporated by reference herein (the "**Property**"). The DDA describes the "Project", which generally consists of Owner's rehabilitation of the three (3) dwelling units currently located on the Property, and construction of an additional three (3) accessory dwelling units and ancillary facilities on the Property (which rehabilitated and constructed dwelling units are collectively referred to in this Agreement as the "Units") and Owner's subsequent management thereof which requires the Owner to Lease the Units exclusively to Very Low Income Households, for a rental rate which, after application of available payments or subsidies from any local, state or federal sources, will not exceed an Affordable Rental Cost. Any capitalized terms not defined herein shall have the meanings ascribed to such terms in the DDA.

B. Owner has executed that certain promissory note (the "**City Acquisition Loan Note**") dated on or about the date hereof, evidencing the City Acquisition Loan pursuant to which City has accepted a purchase money note in payment for the purchase price of the Property, which note will be repaid by Developer pursuant to the terms set forth therein ("**City Acquisition Loan**"). The City Acquisition Loan Note is secured by a Deed of Trust dated on or about the date of the Note, naming City as beneficiary ("**City Acquisition Loan Deed of Trust**").

C. City and Owner now desire to place restrictions upon the use and operation of the Project, in order to ensure that the Project shall be operated continuously as an affordable housing project available for rental to Very Low Income Households in accordance with the terms set forth below for the term of this Agreement.

AGREEMENT

NOW, THEREFORE, the Owner and City declare, covenant and agree, by and for themselves, their heirs, executors, administrators and assigns, and all persons claiming under or through them, that the Property, for the term of this Agreement, shall be held transferred, encumbered, used, sold, conveyed, leased and occupied, subject to the covenants and restrictions hereinafter set forth:

1. DEFINITIONS.

1.1 Affordable Rental Cost. As used in this Agreement, the term "**Affordable Rental Cost**" shall mean a total Rental Cost (less any applicable subsidies) that will not exceed an amount equal to (i) the product of 30 percent times (ii) 50% of the Area Median Income (adjusted for family size appropriate to the Unit). As used in this paragraph, "family size appropriate to the Unit" shall mean that number of persons equal to (a) for a studio unit, two persons; and (b) for all other units, two persons per each bedroom in the Unit plus one additional person.

1.2 Affordable Very Low Income Unit. As used in this Agreement, the term "**Affordable Very Low Income Unit**" shall mean each of the six (6) Units to be owned and operated on the Property by Owner, all of which shall be restricted to occupancy by Very Low Income Households at an Affordable Rental Cost.

1.3 Area Median Income or Orange County Median Income. For purposes of this Agreement, the terms "**Area Median Income**" and "**Orange County Median Income**" shall mean the median income of the Los Angeles-Long Beach-Anaheim CA HUD Metro FMR Area, adjusted for household size by the United States Department of Housing and Urban Development.

1.4 Eligible Tenant. As used in this Agreement, the term "**Eligible Tenant**" shall mean any person eligible to rent an Affordable Very Low Income Unit as set forth in this Agreement.

1.5 Rental Cost. For purposes of this Agreement, the term "Rental Cost" shall have the meaning set forth in Title 25 California Code of Regulations Section 6918.

1.6 Very Low Income. As used in this Agreement, the term "**Very Low Income"** shall mean a household income that does not exceed fifty percent (50%) of the Area Median Income, adjusted for family size appropriate for the Unit.

1.7 Very Low Income Household. As used in this Agreement, the term "**Very Low Income Household**" shall mean any person or persons residing as a single family unit with a total household income not exceeding the Very Low Income threshold.

2. TERM OF AGREEMENT; PRIORITY OF AGREEMENT; USE OF PROPERTY. This Agreement shall commence upon its execution and shall remain in effect for the period terminating fifty-five (55) years following the date on which a Release of Construction Covenants is recorded for the Project. This Agreement shall remain in effect throughout its 55-year term, notwithstanding the payment in full of the City Acquisition Loan. This Agreement shall unconditionally be and remain at all times prior and superior to the lien created by any deed of trust and any other lien or encumbrance or transfer for security purposes made against or with respect to the Property and all of the terms and conditions contained in any such deed of trust or security instrument and to the lien of any mortgage debt. Owner hereby agrees that the Project is to be owned, managed, and operated as a project for Eligible Tenants for the term of this Agreement. To that end, and for the term of this Agreement, the Owner hereby covenants and agrees as follows:

2.1 Compliance With DDA and City Grant Deed. Owner, its successor and assigns, covenant and agree that the Affordable Very Low Income Units shall at all times during the term of this Agreement comply with applicable requirements set forth in Article IV of the DDA, the terms of which are incorporated by reference herein, the City Grant Deed and this Agreement.

2.2 Purpose. The Property is being acquired and the Project developed for the purposes of providing Eligible Tenants housing at an Affordable Rental Cost.

2.3 Schedule. The Project activities shall be accomplished within the time provided in the Schedule of Performance, which is attached to the DDA.

2.4 Construction Covenant. Owner hereby covenants and agrees on behalf of itself and its successors and assigns in the Property or any portion thereof or any improvements thereon or any interest therein that Owner and such successors and assigns shall rehabilitate and construct the Units in accordance with the DDA (including but not limited to the Scope of Development), this Agreement, and plans approved by the City of Orange. City's execution of the

Release of Construction Covenants shall serve as conclusive determination of satisfactory completion of this section and all construction required by this Agreement.

2.5 Facilities. All of the Units in the Project shall contain facilities adequate for living, sleeping, eating, cooking and sanitation in accordance with all applicable federal, state and local laws and codes. The development and maintenance of the Units shall comply with the City's building code, the Maintenance Standards and all other applicable local codes, development standards, ordinances and zoning ordinances in effect, and the Units shall be decent, safe and sanitary and shall conform to the building, electrical, plumbing, mechanical and energy codes that have been adopted by the City of Orange. City's execution of the Release of Construction Covenants shall serve as conclusive determination of satisfactory completion of the development and construction obligations of this section and as otherwise required by this Agreement.

2.6 Residential Use. None of the Units in the Project will at any time be utilized on a transient (thirty (30) days or less) basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, or trailer court or park, or any other use that is inconsistent or incompatible with this Agreement.

2.7 Conversion of Units. No part of the Project will at any time be owned by a stock cooperative corporation (as such term is defined in Cal. Civ. Code §4190) nor shall the Owner take any steps in connection with the conversion to such ownership or uses to condominiums, or to any other form of ownership without prior written approval by City, not to be unreasonably withheld, conditioned or delayed.

2.8 Tenant Preference. All of the Units will be made available to Eligible Tenants for rental in accordance with the terms of this Agreement, and the Owner shall not give preference to any particular class or group in renting the Units, except to the extent that the Units are required to be leased or rented to Eligible Tenants (provided that the Owner may give preference to tenants be qualified for Section 8 Housing Vouchers, if applicable) and except as provided in Section 3.6 below.

3. OCCUPANCY OF PROJECT BY ELIGIBLE TENANTS. Owner hereby covenants as follows:

3.1 Income Restrictions. Except as expressly provided herein, throughout the term of this Agreement, the Units shall be rented only to, and occupied only by, Eligible Tenants.

3.2 Rental Rates. Rent for the Units to Eligible Tenants shall be no more than the allowable Affordable Rental Cost for a household size appropriate to the Unit. The rental rates for the Units shall be adjusted annually based upon annual updates of the applicable income and rent standards, including but not limited to updates published by the California Housing and Community Development Department and the United States Department of Housing and Urban

Development. In no event shall any of the Units be rented at a rate greater than the applicable Affordable Rental Cost as specified by the City. Failure to comply with the affordability requirements of this Agreement, subject to the right to cure, is an event of default under the terms of the City Acquisition Loan. Subject to the right to cure, the City Acquisition Loan will be due and payable immediately if the Units are knowingly and intentionally rented in a manner which does not meet the requirements of this Agreement at any time prior to repayment in full of the City Acquisition Loan.

3.3 Occupancy By Eligible Tenant. An Affordable Very Low Income Unit initially occupied by an Eligible Tenant shall be deemed occupied by an Eligible Tenant until such Unit is vacated, even if the tenant's household income subsequently increases to an amount that exceeds the maximum allowable income level for an Extremely Low Income Household or a Very Low Income Household or a Low Income Household or a Moderate Income Household respectively, so long as satisfactory actions are taken to ensure that all vacancies are filled in accordance with this Agreement until the noncompliance is corrected.

3.4 Maximum Occupancy. The maximum number of persons residing in a Unit may not exceed the applicable limit pursuant to the Management Plan prepared for the Project by the Owner and approved by the City.

3.5 Income Computation. Immediately prior to a prospective tenant's occupancy of a Unit, Owner shall obtain and maintain on file an income computation and certification form from such prospective tenant dated immediately prior to the date of initial occupancy of a Unit by such prospective tenant. Owner shall make reasonable efforts to verify that the income information provided by an applicant is accurate by taking one or more of the following steps as a part of the verification process: (i) obtain two (2) pay stubs from the most recent pay periods; (ii) obtain a written verification of income and employment from applicant's current employer; (iii) obtain an income verification form from the Social Security Administration and/or California Department of Social Services if the applicant receives assistance from either agency; (iv) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other verification of such applicant's income as is reasonably satisfactory; or (v) obtain such other information as may be reasonably required. Owner shall be entitled to rely on the information obtained and documentation provided unless Owner has knowledge of, or a reasonable basis for belief as to, the inaccuracy or falsehood of any of the supporting documentation. Owner shall update the foregoing records annually and shall provide copies of updated tenant eligibility records and monthly rental records to City for review. Upon review of such records, City may require that Developer's Annual Report include an independent audit of the tenant eligibility records in order to verify compliance with the income and affordability requirements set forth herein. . Owner shall retain the records described in this Section for a period of five (5) years after the date the respective records were created.

3.6 Rental Priority. Subject to Owner's policies and procedures for screening potential tenants and any applicable requirement that Eligible Tenants be qualified to receive

Section 8 Housing Vouchers, the Units shall be rented to Eligible Tenants on a first-come, first-served basis; provided, however, that Owner shall maintain an "interest list" or "eligibility list" of potential tenants.

3.7 Maintenance of Records. Owner shall maintain complete and accurate records pertaining to the Units, and shall permit any duly authorized representative of the City to inspect the books and records of Owner pertaining to the Project that are not otherwise subject to privilege or confidentiality protections at no cost to Owner and following 10 days' written notice to Owner including, but not limited to, those records pertaining to tenant eligibility and occupancy of the Units. Records pertaining to the Project and Units shall be retained for a period of five (5) years; records pertaining to tenant eligibility shall be retained for the period set forth in Section 3.5.

Subject to Section 3.5, Owner shall retain all books and records relevant to the DDA for five years after recordation of the Release of Construction Covenants**,** except that records of individual tenant income verifications, project rents and project inspections shall be retained for the most recent five year period until five years after the affordability period terminates, or until the conclusion or resolution of any and all audits or litigation relevant to the DDA, (but only to the extent City provided Owner with written notice of any such audits or litigation during the applicable five year period and further provided that any such litigation is filed prior to the end of the applicable five year period), whichever is later. The City and any of its representatives shall have the right of access to any pertinent books, documents, papers or other records of the Owner that are not otherwise subject to privilege or confidentiality protections, at no cost to Owner and following 10 days' written notice to Owner in order to make audits, examinations, excerpts and transcripts.

3.8 Reliance on Tenant Representations: Each tenant lease shall contain a provision to the effect that Owner has relied on the income certification and supporting information supplied by the tenant in determining qualification for occupancy of an Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

4. MAINTENANCE

4.1 Maintenance Covenant.

(a) Owner agrees to maintain all exterior improvements, including landscaping, on the Property in good condition and repair (and, as to landscaping, in a healthy condition), reasonable wear and tear excepted, and in accordance with the Maintenance Standards (as defined in the DDA) and all applicable laws, rules, ordinances, orders, and regulations of all governmental agencies and bodies having or claiming jurisdiction. The maintenance covenant contained in this Section shall remain in effect for the term of this Agreement.

(b) The Project shall comply with all applicable lead-based paint standards and requirements.

4.2 City Rights. City shall have the right to enter upon the Property to inspect the Property and the exteriors of the Units, on an annual basis upon ten (10) days' prior notice to Owner. City may, but is not obligated to, perform or cause to be performed the maintenance necessary to cure any material default of these maintenance covenants on the part of Owner and Owner may be liable for payment of reasonable costs to perform such required maintenance to cure any such material default by Owner; provided, however, that Owner first be given written notice of the actions required to cure any default, and Owner, after receipt of such notice, shall have thirty (30) days to cure such defaults, but Owner shall not be deemed in default of the foregoing maintenance covenant if such default cannot reasonably be cured within the thirty (30) day period referenced above so long as Owner has commenced to cure such default within the same thirty (30) day period and is diligently proceeding with the work to cure such default. Notwithstanding the foregoing, if any property conditions are reasonably identified by City after a property inspection attended by a representative of Owner that pose an immediate danger to life or limb, Owner shall commence and diligently prosecute to completion corrections of such condition(s) to City's reasonable satisfaction within three (3) days of the inspection.

4.3 Annual Reports. Owner covenants and agrees to submit to the City an annual report (the "**Annual Report**"), which shall include for each Unit the rental rate and the income and family size of the occupants, and shall also include the records described in Section 3.5 herein. The income information shall be supplied by the tenant in a certified statement on a form approved by the City. Owner shall be entitled to rely on the information obtained and documentation supplied by tenant unless Owner has knowledge of, or a reasonable basis for belief as to, the inaccuracy or falsehood of any of the supporting documentation. The Owner shall submit the Annual Report on or before April 30 of the year following the year covered by the Annual Report. The Owner shall provide for the submission of household information and certification in its leases with tenants. The Annual Report shall include a profit and loss statement and budget to date figures and shall clearly show project revenues, operating expenses, deposits to and withdrawals from the Project's Capital Reserve Account, and cash flow available for residual receipts payments. The Annual Report shall be in a form that is reasonably acceptable to the City Manager or designee.

4.4 Management Plan. Within the time set forth in the Schedule of Performance attached to the DDA, Owner shall prepare and submit to City for approval a management plan in accordance with the following ("**Management Plan**"):

(a) The Management Plan, including such amendments as may be approved in writing by the City Manager or designee, shall remain in effect for the term of this Agreement. Owner shall not amend the Management Plan or any of its components without the prior written consent of the City Manager or designee. The components of the Management Plan shall include:

(1) Management Agent. The name and qualifications of the proposed management agent. The City shall approve or disapprove the proposed management agent, in writing based on the experience and qualifications of the management agent. The management agent shall have demonstrated experience in operating affordable housing comparable to the Project.

(2) Management Program. A description of the proposed management, maintenance, tenant selection and occupancy policies and procedures for the Units consistent with this Agreement.

(3) Management Agreement. A copy of the proposed management agreement specifying the amount of the management fee and the relationship and division of responsibilities between Owner and management agent.

(4) Tenant Lease or Rental Agreement. A copy of the proposed tenant lease or rental agreement to be used in renting the Units in a form consistent with the Form of Lease attached to the DDA.

(5) Annual Operating Budget. Within the time set forth in the Schedule of Performance attached to the DDA and annually thereafter not later than fifteen (15) days prior to the beginning of the next fiscal or calendar year of the Project, Owner shall submit a projected operating budget to the City for review and approval. After Owner's initial projected operating budget submittal, Owner shall annually reconcile each previous year's projected budget with actual operating results for the Project ("**Budget Reconciliation**"). In each Budget Reconciliation, Owner shall set forth an explanation for any major discrepancies between projected and actual budgets. For purposes of this Agreement, a "major discrepancy" shall mean a line item difference between projected and actual budgets of 20% or more.

(6) Social Services Program. A description of the proposed social services to be provided to the tenants, including on-going assistance to all occupants of the Units by trained staff in order to help Occupants thrive as they gain stability in their new home.

The City shall not unreasonably withhold, condition or delay its approval of any matter for which its approval is required hereunder or elsewhere in this Agreement. Any express disapproval shall be in writing and contain the City's reasons for disapproval.

(b) Owner hereby covenants and agrees the City shall have the right, at any time and from time to time, to give notice to Owner if the City determines that the Project is not being managed or maintained in accordance with the Management Plan. The City may require the Owner to change management practices or to terminate the management agent and retain a different management agent, approved by the City. The City agrees that prior to requiring the Owner to change its management agent or the management practices the City shall informally

consult with Owner, in an attempt to resolve the dispute. If the City determines that such an attempt at informal resolution has been unsuccessful, it shall give the Owner thirty (30) days' written notice to change the management agent or practice, as the case may be. If Owner fails to do as requested by the City in the written notice, the City may then require the immediate change of the management practice or agent, as the case may be. The management agreement shall provide that it is subject to termination by the Owner without penalty, upon thirty (30) days' prior written notice. Within ten (10) business days following a direction of the City to replace the management agent, the Owner shall select another management agent or make other arrangements satisfactory to the City for continuing management of the Project. The Owner shall notify the City upon learning that there is a voluntary change in the management or control of the management agent, and, if the change is unsatisfactory to the City, the City shall be entitled to require the Owner to change the management agent in accordance with the terms of this paragraph.

5. ENFORCEMENT. In the event Owner defaults in the performance or observance of any covenant, agreement or obligation of Owner pursuant to this Agreement, and if such default remains uncured for a period of thirty (30) days after written notice thereof (or such longer period as may apply to the specific alleged default) shall have been given by City, or, in the event said default cannot be cured within said time period, Owner has failed to commence to cure such default within said thirty (30) days and diligently prosecute said cure to completion, then City shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take one or more of the following steps:

(a) By mandamus or other suit, action or proceeding at law or in equity, require Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of this Agreement; or

(b) Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of Owner hereunder, including acceleration of the City Acquisition Loan; provided that the City waives any right to collect punitive, consequential or other indirect damages against the Owner.

(c) The City may seek enforcement of this Agreement by an action or proceeding in the Superior Court of the State of California for Orange County or in the Federal District Court for the Southern District of California. Owner consents and agrees that said courts shall have personal jurisdiction over it in any such action or proceeding and that either of said courts is a convenient forum for the litigation of any such action or proceeding.

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by another party.

6. NONDISCRIMINATION. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, age, class, income, religion, sex, sexual orientation, marital status, national origin, ancestry or any other basis prohibited by applicable law in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property, or any part thereof, or in the awarding of contracts for the Project, nor shall Owner, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Property, or any part thereof, or in the awarding of contracts for the Project (except as permitted by this Agreement).

Owner shall comply with all applicable federal, state and local nondiscrimination, fair housing, and equal opportunity requirements.

6.1 Form of Nondiscrimination and Nonsegregation Clauses. The Owner shall refrain from restricting the rental, sale or lease of the property on the basis of race, color, creed, age, class, income, religion, sex, sexual orientation, marital status, national origin, ancestry or any other basis prohibited by applicable law. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the

selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees of the land."

7. COVENANTS TO RUN WITH THE LAND. Owner hereby subjects the Property to the covenants, reservations, and restrictions set forth in this Agreement. City and Owner hereby declare their express intent that all such covenants, reservations, and restrictions shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Property; provided, however, that on the termination of this Agreement said covenants, reservations and restrictions shall expire, except the nondiscrimination covenants contained in Section 6 and Section 6.1 shall remain in perpetuity. All covenants without regard to technical classification or designation shall be binding for the benefit of the City, and such covenants shall run in favor of the City for the entire term of this Agreement, without regard to whether the City is or remains an owner of any land or interest therein to which such covenants relate**.**

8. ATTORNEYS' FEES. Except as otherwise expressly provided in this Regulatory Agreement, in the event that any action, suit or other proceeding is brought by City to enforce the obligations of Owner under this Regulatory Agreement, the parties hereby agree that the non-prevailing party shall o pay all costs and expenses of suit, including attorneys' fees, expert witness fees, and all costs incurred by prevailing party in each and every such action, suit or other proceeding, including any and all appeals or petitions therefrom.

9. AMENDMENTS. This Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Orange.

10. NOTICE. Any notice required to be given hereunder shall be made in writing and shall be given by (i) personal delivery, (ii) courier service that provides a receipt showing date and time of delivery, or (iii) certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

City:	City of Orange 300 East Chapman Avenue Orange, California 92866 Attn: City Manager
With a copy to:	City Attorney's Office City of Orange 300 East Chapman Avenue Orange, California 92866
Owner:	Shelter Providers of Orange County, Inc. 1130 North Citrus Street Orange, CA 92679 Attn: Executive Director

Notices personally delivered or delivered by courier shall be effective upon receipt. Mailed notices shall be effective on the earlier of receipt or Noon on the second business day following deposit in the United States mail. Notices, requests and submittals that are required to be given to the City shall be deemed given if such notices, requests and submittals are given to the City and, with regard to notices and requests, a copy is provided to the City Attorney's Office.

11. SEVERABILITY/WAIVER/INTEGRATION.

11.1 Severability. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

11.2 Waiver. A waiver by either party of the performance of any covenant or condition herein shall not invalidate this Agreement nor shall it be considered a waiver of any other covenants or conditions, nor shall the delay or forbearance by either party in exercising any remedy or right be considered a waiver of, or an estoppel against, the later exercise of such remedy or right.

11.3 Integration. This Agreement contains the entire Agreement between the parties except for the documents expressly mentioned herein and neither party relies on any warranty or representation not contained in this Agreement.

12. GOVERNING LAW. This Agreement shall be governed by the internal laws of the State of California.

13. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall constitute one original and all of which shall be one and the same

instrument. This Agreement may be executed by each party on a separate signature page, and when the executed signature pages are combined, shall constitute one single instrument.

14. THIRD PARTY BENEFICIARIES. No person or entity, other than City and Owner shall have any right of action based upon any provision of this Agreement.

15. FURTHER ASSURANCES. Each of the parties hereto will execute any further documents consistent with the terms of this Agreement, including documents in recordable form, as the other party may from time to time find necessary or appropriate to effectuate their respective purposes in entering into this Agreement and entering into the transactions contemplated by City Acquisition Loan Documents.

IN WITNESS WHEREOF, the City and Owner have executed this Regulatory Agreement by duly authorized representatives on the date first written hereinabove.

[SIGNATURES APPEAR ON NEXT PAGE]

"**OWNER**"
SHELTER PROVIDERS OF ORANGE COUNTY, INC.,
a California non-profit corporation

By: _____

By: _____

"**CITY**"
CITY OF ORANGE, a municipal corporation of the State of California

By:_____
, City Manager

APPROVED AS TO FORM:

By:_____
City Attorney

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

The land referred to herein is situated in the City of Orange, County of Orange, State of California, and described as follows:

ATTACHMENT NO. 11

FORM OF RELEASE OF CONSTRUCTION COVENANTS

Recording Requested By and
When Recorded Mail To:

CITY OF ORANGE, CALIFORNIA
300 E. Chapman Avenue
Orange, CA 92866
Attn:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APNs: 041-141-12, 041-141-11, and 041-141-10

OFFICIAL BUSINESS
(Exempt from Recording Fees per *Govt. Code* § 6103 & 27383)

RELEASE OF CONSTRUCTION COVENANTS

WHEREAS, the CITY OF ORANGE, a municipal corporation (the "**City**") has entered into a Disposition and Development Agreement dated as of _____, 20__ (the "**Agreement**") with Shelter Providers Of Orange County, Inc., a California nonprofit corporation ("**Developer**") relating to property in the City of Orange, County of Orange, State of California described as set forth in Exhibit A incorporated herein by this reference (the "**Property**"), pursuant to which Agreement City agreed to convey the Property to Developer and Developer agreed to acquire the Property and to develop and operate the Project in accordance with the terms and conditions contained in the Agreement. All capitalized terms not defined herein shall have the meaning ascribed to them in the Agreement; and

WHEREAS, pursuant to Section 3.13 of the Agreement, upon the completion of the rehabilitation and construction of Improvements, the City is required to issue for recordation a Release of Construction Covenants ("**Release**") acknowledging the completion of the Improvements as set forth in the Agreement ; and

WHEREAS, Developer has completed rehabilitation and construction of the Improvements

as required by the Agreement and has requested that the City issue the Release for the Project; and

WHEREAS, City has inspected and determined that the rehabilitation and construction of the Project has been satisfactorily completed and now desires to issue the Release pursuant to the terms and conditions of the Agreement.

NOW THEREFORE, it is hereby acknowledged and certified by the City that:

1. The rehabilitation and construction of the Improvements: (i) is in substantial compliance with the Agreement and the plans, drawings and related documents referred to in the Agreement and the attachments to the Agreement; and (ii) is in compliance with the terms of Section 3.13 of the Agreement. This Release is conclusive determination of satisfactory Completion of all of the construction required by the Agreement.

2. City acknowledges Developer's right to record a Notice of Completion in accordance with applicable law.

[SIGNATURE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, City has executed this Release which is effective on the date it is signed by the City Manager of the City.

THE CITY OF ORANGE

Dated:_____, 20__ By:_____

City Manager

APPROVED AS TO FORM AND LEGALITY:

By:_____

APPROVED AS TO FORM:
KANE, BALLMER & BERKMAN
Special Counsel to the City

By: _____

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF ORANGE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

ATTACHMENT NO. 12

FORM OF RESIDUAL RECEIPTS PROMISSORY NOTE
CITY ACQUISITION LOAN NOTE
SECURED BY DEED OF TRUST
TO THE CITY OF ORANGE

0.25% Interest — Orange, California
$700,000 [Adjust for applied deposits] — _____, 20__

FOR VALUE RECEIVED, SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation ("**Borrower**"), hereby promises to pay to the CITY OF ORANGE ("**City**"), a municipal corporation, or order, a principal amount of Seven Hundred Thousand Dollars ($700,000) [adjust for applied deposits], plus interest accrued and payable pursuant to the provisions of this City Acquisition Loan Note. This City Acquisition Loan Note has been accepted by the City as payment by Borrower of the purchase price for the acquisition of the Property by Borrower from City pursuant to the Disposition and Development Agreement entered into between Borrower ("Developer" therein) and City dated_____, 20__ (the "**DDA**"). The DDA is a public record on file in the offices of the City.

1. Definitions. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the DDA. In addition, the following terms shall have the following meanings:

The term "**City Acquisition Loan**" shall mean a mortgage loan to the Developer from City in the amount of the Acquisition Price for the Property, less the Good Faith Deposit or any other cash deposits delivered into Escrow by Developer prior to Closing.

The term "**City Acquisition Loan Deed of Trust**" shall mean the deed of trust on the Property which secures the City Acquisition Loan, recorded of even date herewith, in which Borrower is the Trustor and the City is the Beneficiary.

The term "**City**" shall mean the City of Orange, a municipal corporation of the State of California.

The term "**Governmental Agency**" means the United States, the State of California, the County of Orange, the City of Orange or any other political subdivision in which the Property is located, and any court or political subdivision, agency or instrumentality having jurisdiction over the Property.

The term "**Method of Financing**" shall mean Developer's proposed method of obtaining financing, through grants, equity, pledged contributions, donated labor and materials and/or third-party construction financing, which Method of Financing contains such information as may be required by Attachment No. 2 to the DDA and which has been approved by the City in accordance with the DDA.

The term "**Regulatory Agreement**" shall mean that certain Regulatory Agreement entered into by the City and the Borrower, dated on or about the date hereof and recorded against the Property.

The term "**Residual Receipts**" shall mean, in each calendar year, the amount by which Gross Revenue (as defined below) exceeds Annual Operating Expenses (as defined below), as determined by an audit to be completed not later than one hundred twenty (120) days after September 30th of each calendar year by an independent certified public accountant first approved in writing by the City, using generally accepted accounting principles and based on the accrual method (the "**Audit**").

(i) "**Gross Revenue**," with respect to each calendar year, shall mean all revenue, income, receipts, and other consideration actually received by Developer from operation or leasing of the Project. "Gross Revenue" shall include, but not be limited to: all rents, fees and charges paid by tenants, Section 8 payments or other rental subsidy payments received for the dwelling units, deposits forfeited by tenants, all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance to the extent not utilized to repair or rebuild the Project; and condemnation awards for a taking of part or all of the Project for a temporary period. "Gross Revenue" shall not include tenants' security deposits, proceeds from any construction loan permitted under the DDA, the City Acquisition Loan, Developer funds expended to develop or operate the Project, including capital contributions or similar advances, or interest that is earned on and allocated to reserve accounts or the fair market value of any goods or services provided by tenants in lieu of rental payments for the leasing or other use of any portion of the Project.

(ii) "**Annual Operating Expenses**," with respect to each calendar year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are verified by the Audit: property and other taxes and assessments imposed on the Project; premiums for property damage, rental or business interruption and liability insurance; utility services not paid for directly or reimbursed by tenants, including but not limited to water, sewer, trash collection, telecommunications, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial services and supplies, and similar customary services; any license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and

marketing, security services and systems, professional fees for legal, audit, accounting and tax returns for the limited partnership, and similar customary administrative expenses; property management fees, expenses and costs, not to exceed eight percent (8%) of Gross Revenue, and pursuant to a management contract approved by the City; cash deposited into a replacement reserve in the amount of $250 per unit per year, subject to annual increases not to exceed three percent (3%) or such lesser or greater amount as may be required by any permitted construction lender or otherwise approved by the City; cash deposited into an operating reserve in such reasonable amounts as is approved by the City; and fixed debt service payments (excluding debt service contingent upon the availability of residual receipts or surplus cash of the Project) on loans associated with the Project and approved by the City. "Annual Operating Expenses" shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a reserve account.

2. This City Acquisition Loan Note evidences the obligation of the Borrower to repay the City Acquisition Loan to the City. Borrower may prepay the principal balance of this City Acquisition Loan Note at any time without penalty. However, even if Borrower prepays the entire balance of this City Acquisition Loan Note including all accrued interest, costs and penalties, the covenants, conditions and restrictions imposed on the Property by the Grant Deed and the Regulatory Agreement shall remain in full force and effect for the full 55-year term as specified therein.

3. This City Acquisition Loan Note is payable at the principal office of City, 300 East Chapman Avenue, Orange, California 92866, or at such other place as the holder hereof may inform the Borrower in writing, in lawful money of the United States.

4. This City Acquisition Loan Note is secured by the City Acquisition Loan Deed of Trust.

5. This City Acquisition Loan Note shall accrue simple interest at the rate of one quarter of one percent (0.25%) per annum on the principal amount outstanding. Interest on the City Acquisition Loan shall accrue from date of the Completion of the Project. However, if any event occurs giving the City the right to accelerate repayment of this City Acquisition Loan Note, the entire unpaid and unforgiven principal balance owing hereunder shall, as of the date of such default, commence to accrue interest at a rate equal to two percentage points above the reference rate published by Bank of America N.A., or the maximum non-usurious interest rate permitted by law, whichever is less (the "Default Rate"). Further, in the event Borrower fails to reimburse the City for any amount which is due hereunder or under the City Acquisition Loan Deed of Trust within ten (10) days after written notice of such advance is made by the City to Borrower, then such unreimbursed amount shall thereafter bear interest at the Default Rate until paid.

6. The unpaid principal balance of this City Acquisition Loan Note and all accrued but unpaid interest shall be due and payable on the earliest to occur of the following (which shall be referred to herein as the "**Maturity Date**"):

(a) the thirtieth (30th) anniversary of the date on which a Release of Construction Covenants for the Project is recorded in the Official Records of Orange County;

(b) the date the Property or the improvements thereon or any portion thereof or interest therein is sold, transferred, assigned or refinanced, without the prior written approval of the City, except as permitted by the DDA or the Grant Deed; or

(d) the date on which the City has elected to accelerate the indebtedness evidenced herein in accordance with Section 10 below due to a Default by the Borrower under the terms of this City Acquisition Loan Note, the DDA, the City Acquisition Loan Deed of Trust, the Regulatory Agreement, or any deed of trust or other instrument encumbering the Property, which is not cured or waived within the respective time period provided herein and therein.

7. Prior to the Maturity Date, Borrower shall be obligated to repay the City Loan as follows:

(a) Borrower shall utilize one hundred percent (100%) of Residual Receipts with respect to each calendar year to repay the City Acquisition Loan. Payments hereunder must be made no later than ten (10) days after City receipt and approval of the Audit submitted by Developer annually following the end of the applicable calendar year.

(b) In the event Borrower refinances any loan encumbering the Property other than the City Acquisition Loan at any time prior to the Maturity Date, fifty percent (50%) of the net proceeds received by or for the benefit of Borrower from such refinancing (in excess of amounts required to repay an then-existing indebtedness secured by liens on the Property other than the amount of this City Acquisition Loan Note) shall be allocated and paid to the City as a repayment of the then outstanding principal and accrued and unpaid interest of this City Acquisition Loan Note.

8. Any breach by Borrower of the provisions of the DDA concerning transfers of the Property shall constitute a default under this City Acquisition Loan Note. The cure periods under the DDA and this City Acquisition Loan Note in connection with such a default shall run concurrently.

9. Borrower waives presentment for payment, demand, protest, and notices of dishonor and of protest; the benefits of all waivable exemptions; and all defenses and pleas on the ground of any extension or extensions of the time of payment or of any due date under this City Acquisition Loan Note, in whole or in part, whether before or after maturity and with or without notice. Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the holder hereof, in the enforcement of this City Acquisition Loan Note, the City Acquisition Loan Deed of Trust or any term or provision of either.

10. Upon the failure of Borrower to perform or observe any term or provision of this City Acquisition Loan Note, or upon the occurrence of any event of default under the terms of the DDA, the City Acquisition Loan Deed of Trust, the Grant Deed, or the Regulatory Agreement, the holder may exercise its rights or remedies hereunder or thereunder. All such rights and remedies shall be cumulative. Upon the event of a default that is not cured or waived within the time provided therefor, the whole of the unpaid principal and interest owing on this City Acquisition Loan Note shall, at the option of City and upon notice to Developer, become immediately due and payable. This option may be exercised at any time after any such event and the acceptance of one or more payments from any person thereafter shall not constitute a waiver of City's option. City's failure to exercise said option in connection with any particular event or series of events shall not be construed as a waiver of the provisions hereof as regards that event or any subsequent event.

11. (a) Subject to the extensions of time set forth in Section 12, and subject to the further provisions of this Section 11, failure or delay by Borrower to perform any material term or provision of this City Acquisition Loan Note, the DDA, the City Acquisition Loan Deed of Trust, the Grant Deed, or the Regulatory Agreement constitutes a default under this Note.

(b) City shall give written notice of default to Borrower, specifying the default complained of by the City. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by City in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by City in asserting any of its rights and remedies shall not deprive City of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

(d) If a monetary event of default occurs, prior to exercising any remedies hereunder, the City shall give the Borrower written notice of such default. The Borrower shall have a period of ten (10) days after such notice is given within which to cure the default prior to exercise of remedies by the City.

(e) If a non-monetary event of default occurs, prior to exercising any remedies hereunder, City shall give Borrower notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of remedies by City. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Borrower (i) initiates corrective action within said period, and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by City. In no event shall City be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default

is not cured within ninety (90) days after the first notice of default is given.

(f) Any notice of default shall be deemed given only if either (i) dispatched by first class mail, registered or certified, postage prepaid, return receipt requested, to the address specified for the Borrower in Section 16 of this City Acquisition Loan Note, or (ii) by electronic facsimile transmission to the facsimile number specified for the Borrower in Section 16 of this City Acquisition Loan Note, followed by delivery by the method described in clause (i), or (iii) by personal delivery (including by means of professional messenger or courier service such as United Parcel Service or Federal Express) to the address specified for the Borrower in Section 16 of this City Acquisition Loan Note. Receipt shall be deemed to have occurred on the earlier of (i) the date of successfully completed electronic facsimile transmission or (ii) the date marked on a written postal service or messenger or courier service receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable). If either party gives notice of a change of address in the manner specified in this paragraph, all notices, demands and communications originated after receipt of the change of address (or the effective date specified in the notice of change of address, if later) shall be transmitted, delivered or sent to the new address.

12. Notwithstanding specific provisions of this City Acquisition Loan Note, non-monetary performance hereunder shall not be deemed to be in default where delays are due to causes beyond the control and without the fault of the party claiming an extension of time to perform (a "**Force Majeure Delay**"), provided that they actually delay and interfere with the timely performance of the matter to which they would apply and despite the exercise of diligence and good business practices are or would be beyond the reasonable control of the party claiming such interference, including: acts of terrorism; war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation including litigation challenging the validity of this transaction or any element thereof (including any Governmental Approvals or Permits); unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor, or suppliers; acts of the other party; acts or failure to act of any Governmental Authority (except acts or failure to act of City or any other Governmental Authority shall not excuse performance by City); the imposition of any applicable moratorium by a Governmental City; or any other causes which despite the exercise of diligence and good business practices are or would be beyond the reasonable control of the party claiming such delay and interference. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Delay unless and until the party claiming such delay and interference delivers to the other party written notice describing the event, its cause, when and how such party obtained knowledge, the date the event commenced, and the estimated delay resulting therefrom. Any party claiming a Force Majeure Delay shall deliver such written notice within ten (10) business days after it obtains actual knowledge of the event.

13. If the rights created by this City Acquisition Loan Note shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, the remaining obligations must be completely performed and paid.

14. The obligation to repay the City Loan is a nonrecourse obligation of the Borrower. The Borrower shall not have any personal liability for repayment of the loan. The sole recourse of the City with respect to repayment of the City Acquisition Loan shall be the exercise of its rights against the Property and the improvements thereon and any related security for the City Acquisition Loan. Notwithstanding the foregoing, the City

(a) may obtain a judgment or order (including, without limitation, an injunction) requiring Borrower or any other party to perform (or refrain from) specified acts other than repayment of the City Acquisition Loan; and

(b) may recover directly from Borrower or any other party:

(i) any damages, costs and expenses incurred by City as a result of fraud or any criminal act or acts of Borrower or any partner, shareholder, officer, director or employee of Borrower or of any general partner of Borrower;

(ii) any damages, costs and expenses incurred by City as a result of any misappropriation of funds provided for the Project as described in the DDA, rents and revenues from the operation of the Project, or proceeds of insurance policies or condemnation proceeds; and

(iii) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions.

16. The address of Borrower for purposes of receiving notices pursuant to this City Acquisition Loan Note is as follows: 1130 North Citrus Street, Orange, California 92679. .

17. In addition to the other terms of this City Acquisition Loan Note, the Borrower hereby agrees and acknowledges that, notwithstanding any internal accounting procedures or provision pertaining to the use of receipts, payments, reserves and distributions contained in its organizational document, the terms of this City Acquisition Loan Note and the DDA shall control as to the DDA, the City Acquisition Loan, this City Acquisition Loan Note and all operating income from the Project.

18. Neither this City Acquisition Loan Note nor any term hereof may be waived, amended, discharged, modified, changed or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by City and Developer.

19. Notwithstanding any provision in this City Acquisition Loan Note, the City

Acquisition Loan Deed of Trust or other document securing same, the total liability for payment in the nature of interest shall not exceed the limit now imposed by applicable laws of the State of California.

20. This City Acquisition Loan Note has been executed and delivered by Developer in the State of California and is to be governed and construed in accordance with the internal laws thereof.

21. Every provision of this City Acquisition Loan Note is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal, invalid or unenforceable for any reason whatsoever, such illegality, invalidity or unenforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable, and this City Acquisition Loan Note shall be construed as if such illegal, invalid or unenforceable term or provision had not been contained herein.

22. Time is of the essence in the performance of each provision hereof.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF Borrower has executed this City Acquisition Loan Note as of the day and year set forth above.

BORROWER:

SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation doing business as HOMEAID ORANGE COUNTY

By: _____
Name: _____
Its: _____

By: _____
Name: _____
Its: _____

ATTACHMENT NO. 13

FORM OF CITY ACQUISITION LOAN DEED OF TRUST

FREE RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

THE CITY OF ORANGE
300 E. Chapman Avenue
Orange, CA 92866
Attn:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

APNs: 041-141-12, 041-141-11, and 041-141-10 OFFICIAL BUSINESS
(Exempt from Recording Fees per *Gov. Code* § 6103 & 27383)

CITY ACQUISITION LOAN DEED OF TRUST
AND ASSIGNMENT OF RENTS

This CITY ACQUISITION LOAN DEED OF TRUST AND ASSIGNMENT OF RENTS ("Deed of Trust"), dated as of this _____ day of _____, 20__, is made by SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California nonprofit corporation, whose address is 1130 North Citrus Street, Orange, California 92679 ("Trustor"), in favor of _____ Title Company, a California corporation ("Trustee"), and the CITY OF ORANGE, CALIFORNIA, a municipal corporation, whose address is 300 E. Chapman Avenue, Orange, California 92866 ("Beneficiary"), and is executed to secure that certain City Acquisition Loan Note dated about the date hereof in a principal amount not to exceed _____ DOLLARS executed by Trustor in favor of Beneficiary (such City Acquisition Loan Note, as it may from time to time be supplemented, amended, extended, renewed or otherwise modified from time to time being referred to in this Deed of Trust as the "Promissory Note"), the provisions of which are incorporated in this Deed of Trust by reference.

1. Grant in Trust and Security Agreement. For valuable consideration, Trustor irrevocably grants, transfers and assigns to Trustee, in trust, with power of sale, for the benefit of Beneficiary, the following property (the "Trust Estate"):

(a) the real property described in Exhibit "A" attached to this Deed of Trust and incorporated in this Deed of Trust by reference (the "Land"); and

(b) all buildings, structures and other improvements now or in the future located or to be rehabilitated or constructed on the Land (the "Improvements"); and

(c) all tenements, hereditaments, appurtenances, privileges and other rights and interests now or in the future benefitting or otherwise relating to the Land or the Improvements, including easements, rights-of-way, development rights, mineral rights, water rights and water stock (the "Appurtenances," together with the Land and the Improvements, the "Property").

2. Obligations Secured. This Deed of Trust is given for the purpose of securing payment and performance of the following (the "Secured Obligations"): (a) all present and future indebtedness evidenced by the Promissory Note, including principal and all other amounts payable under the terms of the Promissory Note), the provisions of which are incorporated in this Deed of Trust by reference; (b) all present and future obligations of Trustor to Beneficiary under this Deed of Trust; and (c) all additional present and future obligations of Trustor to Beneficiary under any other agreement or instrument (whether existing now or in the future) which states that it is, or such obligations are, secured by this Deed of Trust; in each case as such indebtedness and other obligations may from time to time be supplemented, modified, amended, renewed and extended, whether evidenced by new or additional documents or otherwise.

3. Trustor's Covenants. To protect the security of this Deed of Trust, Trustor agrees as follows:

(a) Payment and Performance of Secured Obligations. Trustor will pay and perform all Secured Obligations in accordance with the respective terms of such Secured Obligations, whether evidenced by or arising under this Deed of Trust or the Promissory Note.

(b) Liens and Taxes. Trustor will pay, prior to delinquency, all taxes, if any, which are or may become a lien affecting any part of the Trust Estate and Trustor will pay and perform when due all other obligations secured by or constituting a lien affecting any part of the Trust Estate, provided that Trustor will not be in violation of this provision if Trustor is protesting or contesting such taxes in good faith and by legal means.

4. Obligations With Respect to Trust Estate. Neither Beneficiary nor Trustee will be under any obligation to preserve, maintain or protect the Trust Estate or any of Trustor's rights or interests in the Trust Estate, or make or give any presentments, demands for performance, protests, notices of nonperformance, protest or dishonor or other notices of any kind in connection with any rights, or take any other action with respect to any other matters relating to the Trust Estate. Beneficiary and Trustee do not assume and shall have no liability for, and will not be obligated to perform, any

of Trustor's obligations with respect to any rights or any other matters relating to the Trust Estate, and nothing contained in this Deed of Trust will release Trustor from any such obligations.

5. Assignment of Rents and Profits. Trustor irrevocably grants, transfers and assigns to Beneficiary, during the continuance of this Deed of Trust, all of Trustor's right, title and interest in and to the rents, issues, income, revenues, royalties and profits from any lease of the Property ("Rents"). Notwithstanding such assignment, so long as no Event of Default has occurred and is continuing, Trustor will have the right to collect, receive, hold and dispose of the Rents as the same become due and payable, provided that unless Beneficiary otherwise consents in writing: (a) any such Rents paid more than 30 days in advance of the date when due will be delivered to Beneficiary and held by Beneficiary in a cash collateral account (over which Beneficiary will have sole and executive control and right of withdrawal), to be released and applied on the date when due (or, if an Event of Default has occurred and is continuing, at such other time or times and in such manner as Beneficiary may determine), and (b) if an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents will cease and Beneficiary will have the sole right, with or without taking possession of the Property, to collect all Rents, including those past due and unpaid. Any such collection of Rents by Beneficiary will not cure or waive any Event of Default or notice of default or invalidate any act done pursuant to such notice. Failure or discontinuance of Beneficiary at any time, or from time to time, to collect the Rents will not in any manner affect the subsequent enforcement by Beneficiary of the right to collect the same. Nothing contained in this Deed of Trust, nor the exercise of the right by Beneficiary to collect the Rents, will be deemed to make Beneficiary a "mortgagee in possession" or will be, or be construed to be, an affirmation by Beneficiary of, or an assumption of liability by Beneficiary under, or a subordination of the lien of this Deed of Trust to any tenancy, lease or option.

6. Remedies Upon Event of Default. Upon the occurrence of any Event of Default (defined in Section 7 below): (a) Trustor will be in default under this Deed of Trust, and upon acceleration of the payment of any Secured Obligations in accordance with the terms of the Promissory Note, all Secured Obligations will immediately become due and payable without further notice to Trustor; (b) upon demand by Beneficiary, Trustor will pay to Beneficiary, in addition to all other payments specifically required under the Promissory Note, at the times and in the amounts required by Beneficiary from time to time, sums which when cumulated will be sufficient to pay one month prior to the time the same become delinquent, all taxes which are or may become a lien affecting the Trust Estate and the premiums for any policies of insurance to be obtained hereunder (all such payments to be held in a cash collateral account as additional security for the Secured Obligations over which Beneficiary will have sole and exclusive control and right of withdrawal); and (c) Beneficiary may, without notice to or demand upon Trustor, which are expressly waived by Trustor (except for notices or demands otherwise required by applicable laws to the extent not effectively waived by Trustor and any notices or demands specified below), and without releasing Trustor from any of its Secured Obligations, exercise any one or more of the following remedies as Beneficiary may determine.

Beneficiary may, either directly or through an agent or court-appointed receiver, and without regard to the adequacy of any security for the Secured Obligations:

(i) enter, take possession of, manage, operate, protect, preserve and maintain, and exercise any other rights of an owner of the Trust Estate, and use any other properties or facilities of Trustor relating to the Trust Estate, all without payment of rent or other compensation to Trustor;

(ii) enter into such contracts and take such other action as Beneficiary deems appropriate to complete all or any part of any construction which may have commenced on the Land, subject to such modifications and other changes in the plan of development as Beneficiary may deem appropriate;

(iii) make, cancel, enforce or modify leases, obtain and evict tenants, fix or modify rents and, in its own name or in the name of Trustor, otherwise conduct any business of Trustor in relation to the Trust Estate and deal with Trustor's creditors, debtors, tenants, agents and employees and any other persons having any relationship with Trustor in relation to the Trust Estate, and amend any contracts between them, in any manner Beneficiary may determine;

(iv) endorse, in the name of Trustor, all checks, drafts and other evidences of payment relating to the Trust Estate, and receive, open and dispose of all mail addressed to Trustor and notify the postal authorities to change the address for delivery of such mail to such address as Beneficiary may designate; and

(iv) take such other action as Beneficiary deems appropriate to protect the security of this Deed of Trust.

Beneficiary's agent or court-appointed receiver will hold all monies and proceeds, including, without limitation, proceeds from the sale of the Property or any portion thereof, for the benefit of the Trustor and will not disburse the monies or proceeds for the satisfaction of the Secured Obligations without the prior written consent of Beneficiary. The Beneficiary's agent or court-appointed receiver may, but without any obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any Secured Obligations under this Deed of Trust, and at the expense of Trustor, follow the written instruction of Beneficiary under this Section 6.

Beneficiary may execute and deliver to Trustee written declaration of default and demand for sale and written notice of default and of election to cause all or any part of the Trust Estate to be sold, which notice Trustee will cause to be filed for record; and after the lapse of such time as may then be required by law following the recordation of such notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, will sell such Property at the time and place fixed by it in such notice of sale, either as a whole or in separate parcels and in such order as Beneficiary may direct (Trustor waiving any right to direct the order

of sale), at public auction to the highest bidder for cash in lawful money of the United States (or cash equivalents acceptable to Trustee to the extent permitted by applicable law), payable at the time of sale. Trustee may postpone the sale of all or any part of the Trust Estate by public announcement at such time and place of sale, and from time to time after any such postponement may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee will deliver to the purchaser at such sale its deed conveying the property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed of any matters or facts will be conclusive proof of the truthfulness thereof. Any person, including Trustee or Beneficiary, may purchase at such sale, and any bid by Beneficiary may be, in whole or in part, in the form of cancellation of all or any part of the Secured Obligations. Any such sale will be free and clear of any interest of Trustor and any lease, encumbrance or other matter affecting the property so sold which is subject or subordinate to this Deed of Trust, except that any such sale will not result in the termination of any such lease (i) if and to the extent otherwise provided in any estoppel or other agreement executed by the tenant and Beneficiary (or executed by the tenant in favor of, and accepted by, Beneficiary), or (ii) if the purchaser at such sale gives written notice to the tenant, within 30 days after date of sale, that the lease will continue in effect.

Beneficiary may proceed to protect, exercise and enforce any and all other remedies provided under the Agreement, Regulatory Agreement, Promissory Note, this Deed of Trust or by applicable laws.

All proceeds of collection, sale or other liquidation of the Trust Estate will be applied first to all costs, fees, expenses and other amounts payable by Trustor under this Deed of Trust and to all other Secured Obligations not otherwise repaid in such order and manner as Beneficiary may determine, and the remainder, if any, to the person or persons legally entitled thereto.

Each of the remedies provided in this Deed of Trust is cumulative and not exclusive of, and will not prejudice, any other remedy provided in this Deed of Trust or by applicable laws. Each remedy may be exercised from time to time as often as deemed necessary by Trustee and Beneficiary, and in such order and manner as Beneficiary may determine. This Deed of Trust is independent of any other security for the Secured Obligations, and upon the occurrence of an Event of Default, Trustee or Beneficiary may proceed in the enforcement of this Deed of Trust independently of any other remedy that Trustee or Beneficiary may at any time hold with respect to the Trust Estate or the Secured Obligations or any other security. Trustor, for itself and for any other person claiming by or through Trustor, waives, to the fullest extent permitted by applicable laws, all rights to require a marshaling of assets by Trustee or Beneficiary or to require Trustee or Beneficiary to first resort to any particular portion of the Trust Estate or any other security (whether such portion shall have been retained or conveyed by Trustor) before resorting to any other portion, and all rights of redemption, stay and appraisal.

7. Event of Default. An "Event of Default" will be deemed to occur if:

(a) Trustor is in default of any provision of the DDA or the Regulatory Agreement and fails to cure such default subject to the notice and cure provisions thereof; or

(b) Trustor is in default of any provision of the Promissory Note or this Deed of Trust and fails to cure such default within thirty (30) days after receiving notice.

8. Costs, Fees and Expenses. Trustor will pay, on demand, all reasonable costs, fees, expenses, advances, charges, losses and liabilities of Trustee and Beneficiary under or in connection with this Deed of Trust or the enforcement of, or the exercise of, any remedy or any other action taken by Trustee or Beneficiary under this Deed of Trust or the collection of the Secured Obligations, in each case including, without limitation, (a) reconveyance and foreclosure fees of Trustee, (b) costs and expenses of Beneficiary or Trustee or any receiver appointed under this Deed of Trust in connection with the operation, maintenance, management, protection, preservation, collection, sale or other liquidation of the Trust Estate or foreclosure of this Deed of Trust, (c) advances made by Beneficiary to complete or partially construct all or any part of any construction which may have commenced on the Land or otherwise to protect the security of this Deed of Trust, (d) cost of evidence of title, and (e) the reasonable fees and disbursements of Trustee's and Beneficiary's legal counsel and other out-of-pocket expenses, and the reasonable charges of Beneficiary's legal counsel.

9. Late Payments. By accepting payment of any part of the Secured Obligations after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other Secured Obligations or to declare a default for failure to so pay.

10. Action by Trustee. At any time and from time to time upon written request of Beneficiary and presentation of this Deed of Trust for endorsement, and without affecting the personal liability of any person for payment of the Secured Obligations or the security of this Deed of Trust for the full amount of the Secured Obligations on all Property remaining subject to this Deed of Trust, Trustee may, without notice and without liability for such action, and notwithstanding the absence of any payment on the Secured Obligations or any other consideration: (a) reconvey all or any part of the Trust Estate, (b) consent to the making and recording, or either, of any map or plat of the Land, (c) join in granting any easement affecting the Land, or (d) join in or consent to any extension agreement or any agreement subordinating the lien of this Deed of Trust. Trustee is not obligated to notify Trustor or Beneficiary of any pending sale under any other deed of trust or of any action or other proceeding in which Trustor, Beneficiary or Trustee is a party unless brought by Trustee.

11. Reconveyance. Upon written request of Beneficiary and surrender of this Deed of Trust and the Promissory Note to Trustee for cancellation or endorsement, and upon payment of its fees and charges, Trustee will reconvey, without warranty, all or any part of the Property then subject to this Deed of Trust. Any reconveyance, whether full or partial, may be made in terms to "the

person or persons legally entitled thereto," and the recitals in such reconveyance of any matters or facts will be conclusive proof of the truthfulness thereof. Beneficiary will not be required to cause any Property to be released from this Deed of Trust until final payment and performance in full of all Secured Obligations and termination of all obligations of Beneficiary under or in connection with the Promissory Note or until the Secured Obligations are forgiven.

12. Substitution of Trustee. Beneficiary may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named in or acting under this Deed of Trust, which instrument, when executed by Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where the Land is situated, will be conclusive proof of proper substitution of such successor Trustee or Trustees who will, without conveyance from the predecessor Trustee, succeed to all of its title, estate, rights, powers and duties. Such instrument must contain the name of the original Trustor, Trustee and Beneficiary, the book and page where this Deed of Trust is recorded (or the date of recording and instrument number) and the name and address of the new Trustee.

13. Successors and Assigns. This Deed of Trust applies to and will be binding on and inure to the benefit of all parties to this Deed of Trust and their respective successors and permitted assigns.

14. Acceptance. Notice of acceptance of this Deed of Trust by Beneficiary or Trustee is waived by Trustor. Trustee accepts this Deed of Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

15. Beneficiary's Statements. For any statement regarding the Secured Obligations, Beneficiary may charge the maximum amount permitted by law at the time of the request for such statement.

16. Governing Law. This Deed of Trust will be governed by, and construed and enforced in accordance with, the Laws of California.

17. Recording. The Trustee will record this Deed of Trust in the official records of Los Angeles County, California.

[Remainder of Page Intentionally Blank]

[Signatures on Following Page]

TRUSTOR

SHELTER PROVIDERS OF ORANGE COUNTY, INC., a California non-profit corporation

By: _____

By: _____

EXHIBIT A TO DEED OF TRUST

LEGAL DESCRIPTION

(to be inserted)