

## AGREEMENT BIBLIOGRAPHY

Agreement With:	Tamerlane Associates, LLC
Agreement Type:	Affordable Housing Loan Agreement for the property at 12172 Tamerlane Drive
Date Approved:	02 09 2010 & 01 24 2012
Start Date:	02 09 2010 & 01 24 2012
End Date:	03 19 2030
Contract Amount:	\$980,649
Comments	File No. 117.16W Economic Development
Insurance Expiration:	N/A
Date Archived:	<b>ARCHIVED 01/11/2017</b>

OPTION AGREEMENT

BY AND BETWEEN

CITY OF GARDEN GROVE

AND

TAMERLANE ASSOCIATES, LLC

FOR THE PROPERTY LOCATED AT  
12172 TAMERLANE DRIVE

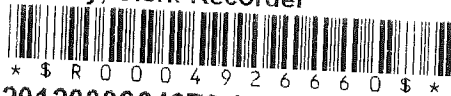
APPROVED

JANUARY 24, 2012

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Garden Grove  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: Director of Economic Development

Recorded in Official Records, Orange County  
Tom Daly, Clerk-Recorder



NO FEE

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This document is exempt from the payment of a recording  
fee pursuant to Government Code Section 27383.

## OPTION AGREEMENT

This **OPTION AGREEMENT** is entered into as of January 24, 2012, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **CITY OF GARDEN GROVE**, a municipal corporation (the "City").

### RECITALS

A. Owner and the Garden Grove Agency for Community Development ("Agency") have entered into an Affordable Housing Loan Agreement dated as of February 9, 2010 ("AHLA"). Under the terms of the Affordable Housing Loan Agreement, Owner has with the assistance of the Agency purchased real property located within the Project Area of the Agency, located at 12172 Tamerlane Drive, which is improved with a six (6) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Attachment No. 1, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 400 of the Affordable Housing Loan Agreement ("AHLA") and by Option Agreement dated February 9, 2010 (the "Agency Option Agreement"), the Owner has agreed to grant to the Agency an option to purchase the Property upon payment of a purchase price as set forth in the Agency Option Agreement.

C. Owner desires to grant to City an option to purchase the Property on the terms and conditions set forth hereinbelow junior and subordinate to the right granted to the Agency pursuant to the Agency Option Agreement.

For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

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NE

**NOW, THEREFORE**, in consideration of the foregoing, and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

**1. Grant of Option.** Owner grants to City an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance of the Bank Loan and Promissory Note plus an amount equal to Two Thousand, Eighty-Three Thousand Dollars (\$2,083) per month for each month from the twenty-fifth (25th) month following the commencement of the Option Term until escrow is closed less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

**2. Term for Option.** The term of the Option ("Option Term") shall commence on the date of this Option Agreement, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on the March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

**3. Exercise of Option.** The Option may be exercised at any time before the expiration of the Option Term by City's delivery to Owner of written notice of such exercise (the "Exercise Notice").

**4. Escrow and Completion of Sale.** Within five (5) days after City has exercised the Option, or as soon thereafter as reasonably practicable, an escrow shall be opened with an escrow company mutually acceptable to City and Owner for the conveyance of the Property to the City. The City shall deposit the Option Price in escrow not later than one (1) business day prior to the anticipated close of escrow date. The City's obligation to close escrow shall be subject to the City's approval of a then-current preliminary title report and, at City's option, environmental and other site testing. Any exceptions shown on such preliminary title report created on or after the Owner's acquisition of the Property shall be removed by Owner at its sole expense prior to the close of escrow pursuant to this Section 4 unless such exception(s) is(are) accepted by City in its reasonable discretion; provided, however, that City shall accept the following exceptions to title: (i) current taxes not yet delinquent, (ii) matters affecting title existing on the date of Owner's acquisition of the Property, (iii) liens and encumbrances in favor of the Agency or the City, and (iv) matters shown as printed exceptions in the standard form CLTA owner's policy of title insurance. In the event the Property or any portion thereof is encumbered by a mortgage or deed of trust, the City shall be permitted to unilaterally instruct the escrow agent to satisfy the indebtedness secured thereby out of the proceeds payable to the Owner through the foregoing escrow, or the City may satisfy all or a portion of the Option Price through the City's assumption of the promissory note or notes held by the holders of the deeds of trust encumbering the Site, if such holder or holders consent thereto. City shall pay all of the escrow fees, documentary transfer taxes, recording fees, the cost of any owner's policy of title insurance desired by the City, and any other costs and expenses of the escrow. City shall have thirty (30) days after exercise of the Option to enter upon the Property to conduct any tests, inspections, investigations, or studies of the condition of the Property. Owner shall permit the City access to the Site for such purposes. The City shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims, liabilities, or damages, and including expert witness fees and reasonable attorney's fees and costs, caused by City's activities with respect to or arising out of such testing,



inspection, or investigatory activity on the Site. Escrow shall close promptly after acceptance by City of the condition of title and the physical and environmental condition of the Property.

**5. Failure to Exercise Option.** If the Option is not exercised in the manner provided in Section 3 above before the expiration of the Option Term, the Option shall terminate. Upon receipt of the written request of Owner, City shall cause a quitclaim deed terminating or releasing any and all rights City may have to acquire the Property (the "Quitclaim Deed") to be recorded in the Official Records of Orange County, California.

**6. Assignment.** City shall have the right to assign its interest hereunder. In connection with any assignment, any assignee shall execute all documents reasonably necessary to assume all of the obligations imposed under this Option Agreement on City as if the assignee were the original party in this Option Agreement.

**7. Representations and Warranties of Owner.** Owner hereby represents, warrants and covenants to City as follows, which representations and warranties shall survive the exercise of the Option and the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by Owner hereunder, upon execution and delivery thereof by Owner, will have been duly entered into by Owner, and will constitute legal, valid and binding obligations of Owner;

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which Owner is a party or by which it is bound; and

(c) Owner shall pay, prior to delinquency or default, any and all real property taxes and assessments which affect the Property.

Owner agrees to indemnify, protect, defend, and hold City and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Owner, shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

**8. Title.** Following the date hereof, Owner agrees not to cause, and shall use commercially reasonable efforts not to permit, any lien, easement, encumbrance or other exception to title to be recorded against the Property without City's prior written approval, such approval not to be unreasonably withheld.

**9. Representations and Warranties of City.** City hereby represents and warrants and covenants to Owner, as follows, which representations and warranties shall survive the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by City hereunder, upon execution and delivery thereof by City, will have been duly entered into by City, and will constitute legal, valid and binding obligations of City, and

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which City is a party or by which it is bound.

City agrees to indemnify, protect, defend, and hold Owner and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of City, and any other representations and warranties of City contained elsewhere in this Option Agreement shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

**10. Relocation.** In the event that the City purchases the Property pursuant to this Option Agreement and any displacement of tenants of the Property occurs, the City shall provide relocation assistance in accordance with the Federal Uniform Relocation Assistance and Real Property Acquisition Act, 42 U.S.C. § 4601, *et seq.*, the California relocation law, Government Code Section 7260, *et seq.*, and the regulations adopted pursuant thereto by the United States, State of California and the City (collectively, the "Relocation Laws"), and in a manner approved by the City to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the City's acquisition of the Property pursuant to this Option Agreement. The City shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims for relocation assistance caused by or arising out of City's purchase of the Property pursuant to this Option Agreement.

**11. General Provisions.**

**11.1 Paragraph Headings.** The paragraph headings used in this Option Agreement are for purposes of convenience only. They shall not be construed to limit or extend the meaning of any part of this Option Agreement.

**11.2 Notices.** Any notice, demand, approval, consent, or other communication required or desired to be given under this Option Agreement shall be in writing and shall be either personally served, sent by telecopy or mailed in the United States mails, certified, return receipt requested, postage prepaid, addressed to the party to be served with the copies indicated below, at the last address given by that party to the other under the provisions of this section. All communications shall be deemed delivered at the earlier of actual receipt, the next business day after deposit with Federal Express or other overnight delivery service or two (2) business days following mailing as aforesaid, or if telecopied, when sent, provided a copy is mailed or delivered as provided herein:

City: City of Garden Grove  
11222 Acacia Parkway  
Garden Grove, California 92642  
Attention: Community Development Director

Owner: Tamerlane Associates, LLC  
14 Corporate Plaza, Suite 100  
Newport Beach, CA 92660  
Attention: Charles Fry

**11.3 Binding Effect.** The terms, covenants and conditions of this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and transferees.

**11.4 Entire Agreement.** This Option Agreement sets forth the entire agreement between the parties hereto respecting the Option, and supersedes all prior negotiations and agreements, written or oral, concerning or relating to the subject matter of this Option Agreement.

**11.5 California Law.** This Option Agreement shall be governed by the laws of the State of California and any question arising hereunder shall be construed or determined according to such laws.

**11.6 Time of the Essence.** Time is of the essence of each and every provision of this Option Agreement.

**11.7 Counterparts.** This Option Agreement may be signed by the parties hereto in duplicate counterparts which together shall constitute one and the same agreement between the parties and shall become effective at such time as both of the parties shall have signed such counterparts.

**11.8 Attorneys' Fees.** If either party commences an action against the other to enforce any of the terms hereof or because of the breach by either party of any of the terms hereof, the losing party shall pay to the prevailing party reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action, including appeal of and/or enforcement of a judgment.

**11.9 Computation of Time.** All periods of time referred to in this Option Agreement shall include all Saturdays, Sundays and state or national holidays, unless the period of time is specified as business days (which shall not include Saturdays, Sundays and state or national holidays), provided that if the date or last date to perform any act or give any notice with respect to this Option Agreement shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

IN WITNESS WHEREOF, this Option Agreement is executed by the parties hereto on the date first above written.

**AGENCY:**

**CITY OF GARDEN GROVE,**  
a municipal corporation

By: Matthew Ferial  
City Manager

**ATTEST:**

Robert Bauer  
City Clerk

**APPROVED AS TO FORM:**

[Signature]  
Stradling Yocca Carlson & Rauth  
Special Counsel to City

**OWNER:**

**TAMERLANE ASSOCIATES, LLC,**  
a California limited liability company

By: Charles H Fry  
Charles H Fry  
Its: Manager

**ATTACHMENT NO. 1**

**LEGAL DESCRIPTION**

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

Lot 10 of Tract No. 3050, as shown on a Map recorded in Book 92, Page 31 and 32 of Miscellaneous Maps, records of Orange County, State of California.

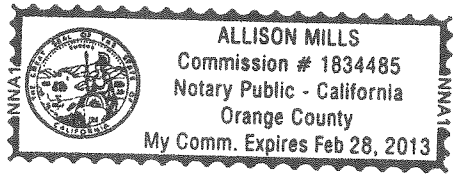
APN: 231-471-35

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF Orange )

On January 30, 2012, before me, Allison Mills, Notary Public,  
(Print Name of Notary Public)  
personally appeared Matthew Ferial

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

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



WITNESS my hand and official seal.

Allison Mills  
Signature of Notary Public

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

**DESCRIPTION OF ATTACHED DOCUMENT**

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
\_\_\_\_\_

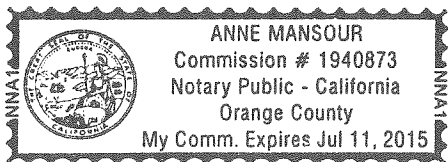
\_\_\_\_\_  
Signer(s) Other Than Named Above

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF ORANGE )

On February 7, 2012, before me, Anna Mansour, Notary Public, Notary Public,  
(Print Name of Notary Public)  
personally appeared CHARLES H. FRY.

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

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



WITNESS my hand and official seal.

Anna Mansour  
Signature of Notary Public

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

- Individual
- Corporate Officer

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: Manager

Signer is representing:  
Name Of Person(s) Or Entity(ies)

Tanulaw Associates, LLC

**DESCRIPTION OF ATTACHED DOCUMENT**

Option Agreement  
Title Or Type Of Document

7  
Number Of Pages

January 24, 2012  
Date Of Documents

Signer(s) Other Than Named Above

RESOLUTION APPROVING AN AFFORDABLE HOUSING AGREEMENT WITH TAMERLANE ASSOCIATES, LLC FOR THE PURCHASE AND REHABILITATION OF FOUR UNITS LOCATED AT 12142 TAMERLANE DRIVE, GARDEN GROVE, AND OPTION AGREEMENTS FOR THE OPTION TO PURCHASE MULTI-FAMILY APARTMENT BUILDINGS LOCATED AT 12162 AND 12172 TAMERLANE DRIVE, GARDEN GROVE (F: 117.16Z) (F: 117.16W)

Staff report dated January 24, 2012, was introduced and reviewed by staff.

RESOLUTION NO. 9093-12

It was moved by Council Member Broadwater, seconded by Council Member Nguyen, and carried by unanimous that full reading of Resolution No. 9093-12 be waived, and said Resolution entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE APPROVING AN AFFORDABLE HOUSING LOAN AGREEMENT BETWEEN THE CITY OF GARDEN GROVE AND TAMERLANE ASSOCIATES, LLC, AND MAKING CERTAIN OTHER FINDINGS IN CONNECTION THEREWITH, be and hereby is adopted; that the Option Agreements for 12162 and 12172 Tamerlane Drive, Garden Grove are approved; that the City Manager is authorized to execute the Agreements and pertinent documents and make minor modifications thereto on behalf of the City; and the Finance Director is authorized to appropriate \$1,220,992 from available proceeds from the sale of other City assets/properties in City funds.





AFFORDABLE HOUSING AGREEMENT WITH TAMERLANE ASSOCIATES, LLC AND  
OPTION PURCHASE AGREEMENTS

January 24, 2012

Page 2

contribution adds to the resources available to the City for HOME-eligible or HOME-assisted projects.

As part of this transaction, the Developer has agreed to enter into Option Purchase Agreements for multifamily apartment buildings located at 12162 and 12172 Tamerlane Drive under the same terms as the Option Agreements that the Developer previously entered into with the Garden Grove Agency for Community Development for the properties. The Option Agreements will allow the City to ensure the long-term health, safety and welfare of the neighborhood, by permitting the City to repurchase the properties if necessary.

FINANCIAL IMPACT

- Pursuant to the AHA, the City's total assistance is in the amount of \$1,220,992 financed from the City's general fund
- There are no fiscal impacts related to the Option Agreements unless the City exercises the Option to purchase the properties.

RECOMMENDATION

- Adopt the resolution approving Affordable Housing Agreement and authorize the City Manager to execute the AHA, including minor modifications thereto, and pertinent documents on behalf of the City.
- Authorize the Finance Director to appropriate \$1,220,992 from available proceeds of sale of other City/assets properties in City funds.
- Approve the Option Agreements for 12162 and 12172 Tamerlane Drive and authorize the City Manager to execute the agreements, and minor modifications thereto and pertinent documents on behalf of the City.

GREG BROWN  
Sr. Project Manger

  
By: Kathleen Angel  
Economic Development Specialist

**Recommended for Approval**

  
**Matthew Ferial**  
City Manager

Attachment 1: Resolution

Attachment 2: Affordable Housing Agreement-12142 Tamerlane Drive

Attachment 3: Option Agreement-12162 Tamerlane Drive

Attachment 4: Option Agreement-12172 Tamerlane Drive

AFFORDABLE HOUSING LOAN AGREEMENT  
SUBORDINATION AGREEMENT

BY AND BETWEEN

GARDEN GROVE AGENCY FOR COMMUNITY  
DEVELOPMENT

AND

TAMERLANE ASSOCIATES, LLC

FOR THE PROPERTY LOCATED AT  
12172 TAMERLANE DRIVE

APPROVED  
FEBRUARY 9, 2010

GARDEN GROVE AGENCY COMMUNITY DEVELOPMENT

RESOLUTION NO. 680

A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT  
APPROVING AN AFFORDABLE HOUSING LOAN AGREEMENT BETWEEN THE  
GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT AND TAMERLANE  
ASSOCIATES, LLC, AND MAKING CERTAIN OTHER FINDINGS IN CONNECTION  
THEREWITH

WHEREAS, the Agency is a redevelopment agency duly formed, existing, and exercising powers pursuant to the California Community Redevelopment Law, Health and Safety Code Section 33000, et seq. (CRL), and as required by Sections 33334.2 and 33334.3 of the CRL has deposited funds into its Low and Moderate Income Housing Fund (Housing Funds) for the purpose of providing subsidies to, or for the benefit of, persons and families of low or moderate income, to assist them to obtain housing within the community at an affordable housing cost;

WHEREAS, Tamerlane Associates, LLC, a California limited liability company (Owner) has entered or will enter into an agreement or agreements to purchase a parcel of real property in the City of Garden Grove (City), generally located at 12172 Tamerlane Drive, Garden Grove, California, and described as Assessor's Parcel Number 231-471-35 (Property);

WHEREAS, the Owner desires to rehabilitate and operate an apartment complex on the Property (Project), consisting of six (6) apartment units (each, a Housing Unit);

WHEREAS, the Owner and the Agency desire to enter into an Affordable Housing Loan Agreement (Agreement) pursuant to which the Agency will provide a loan to the Owner in an amount of Nine Hundred Eighty Thousand, Five Hundred Ninety-Nine Dollars (\$980,599) (Agency Loan) and a payment of Fifty Thousand Dollars (\$50,000) in exchange for Owner's agreement to restrict the use, operation, rental, and occupancy of the six (6) of the Housing Units at the Project to Lower Income Households paying an Affordable Rent throughout a term of fifty-five (55) years from the date Owner acquires the Property (Affordability Period);

WHEREAS, the Agreement and the Agency's expenditure of Housing Funds thereunder (as to four (4) of the six (6) Housing Units) are intended to be a "Matching Contribution" as that term is used in the HOME Investment Partnership Act, 42 U.S.C. § 12701, et seq., as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations (defined in the Agreement), as they now exist and as they may hereafter be amended (collectively, the HOME Program);

WHEREAS, the Agreement requires Owner to comply with all applicable requirements of the HOME Program in connection with four (4) of the six (6) Housing Units, as it now exists or may hereafter be amended, including, without

limitation, the Rehabilitation of the Housing Units shall comply with all applicable federal laws and regulations pertaining to labor standards;

WHEREAS, initially capitalized terms used herein and not expressly otherwise defined shall have the meanings ascribed to them in the Agreement;

WHEREAS, the terms of the Agreement and the Regulatory Agreement to be executed by the Owner pursuant thereto and the implementation thereof by Agency and Owner are in accordance with the provisions set forth in the implementation plan adopted by Agency according to Section 33490 of the CRL;

WHEREAS, the Agency's payment of the Agency Loan and the additional \$50,000 payment to the Owner and the Owner's operation of the Project as an affordable rental housing project throughout the 55-year Affordability Period pursuant to the Agreement and in compliance with the recorded Regulatory Agreement is in the vital and best interest of the Agency and the City and the health, safety, and welfare of its residents;

WHEREAS, the City Council of the City of Garden Grove has approved by Ordinances, both the original adoption and amendments thereto, the Amended and Restated Redevelopment Plan for the Community Project Area;

WHEREAS, the 6-unit Project is located within and will be of benefit to the Community Project Area by providing long-term affordable housing, including housing units eligible and available and/or to be banked as replacement housing units pursuant to Health and Safety Code Section 33413(a), or, alternatively, as determined and solely elected by the Agency, to be eligible and available and/or to be banked as inclusionary housing units pursuant to Health and Safety Code Section 33413(b);

WHEREAS, the Project is categorically exempt from the requirements of the California Environmental Quality Act (CEQA), California Public Resources Code Sections 21000, et seq. and the guidelines promulgated thereunder at 14 California Code of Regulations Section 15000, et seq. (CEQA Guidelines) as a "Class 1" project for the "operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, involving negligible or no expansion of use" pursuant to Section 15301 of the CEQA Guidelines, as a "Class 2" project for the "replacement or reconstruction of existing structures and facilities" pursuant to Section 15302 of the CEQA Guidelines, and as a "Class 32" project for "infill development consistent with the general plan on an urban parcel of up to five acres with no significant effects on traffic, noise, air quality or water quality" pursuant to Section 15332 of the CEQA Guidelines; and

WHEREAS, the Agency has duly considered all terms and conditions of the proposed Agreement and believes that the Project is in the best interest of the

Agency and the City and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, BE IT RESOLVED by the Garden Grove Agency for Community Development as follows:

Section 1. The foregoing recitals are true and correct and constitute a substantive part of this Resolution and are fully incorporated herein.

Section 2. The Agency hereby finds and determines that the 6-unit Project will be of benefit to the Community Project Area by providing long-term affordable housing within the city.

Section 3. The Agency hereby finds and determines that the Agreement is exempt from CEQA as set forth above, and directs Agency staff to file a Notice of Exemption with the County of Orange within five (5) days hereof.

Section 4. The Agency hereby approves the Agreement between the Agency and the Owner with such changes as may be mutually agreed upon by the Agency Director (or his duly authorized representative), Agency legal counsel, and Owner; provided that such changes are minor and in substantial conformance with the form of the Agreement. The Agency Director and the Agency Secretary are hereby authorized to execute and attest the Agreement, including any related attachments, on behalf of Agency. In such regard, the Agency Director (or his duly authorized representative) is authorized to sign the final version of the Agreement after completion of any such non-substantive, minor revisions. Copies of the final form of the Agreement, when duly executed and attested, shall be placed on file in the Office of the Agency Secretary. Further, the Agency Director (or his duly authorized representative) is authorized to implement the Agreement and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the Project as provided for within the Agreement. The Agency Director (or his duly authorized representative) is hereby authorized to the extent necessary during the implementation of the Agreement to make technical or minor changes and interpretations thereto after execution, as necessary to properly implement and carry out the Agreement, provided any and all such changes shall not in any manner materially affect the rights and obligations of the Agency or the expense to the Agency under the Agreement approved hereby.

Section 5. In addition to the authorization of Section 4 above, the Agency Director is hereby authorized, on behalf of Agency, to sign all other documents necessary or appropriate to carry out and implement the Agreement, including causing the issuance of warrants in implementation thereof and to administer and carry out Agency's obligations, responsibilities, and duties to be performed under the Agreement, subject to the provisions thereof.

Section 6. The Agency Secretary shall certify to the adoption of this Resolution.

Adopted this 9<sup>th</sup> day of February 2010.

ATTEST:

/s/ BRUCE A. BROADWATER  
CHAIR

/s/ KATHLEEN BAILOR  
SECRETARY

STATE OF CALIFORNIA    )  
COUNTY OF ORANGE    ) SS:  
CITY OF GARDEN GROVE )

I, KATHLEEN BAILOR, Secretary of the Garden Grove Agency for Community Development, do hereby certify that the foregoing Resolution was duly adopted by the Garden Grove Agency for Community Development, at a meeting held on the 9<sup>th</sup> day of February 2010, by the following vote:

AYES:       MEMBERS: (5) DALTON, DO, JONES, NGUYEN, BROADWATER  
NOES:       MEMBERS: (0) NONE  
ABSENT:     MEMBERS: (0) NONE

/s/ KATHLEEN BAILOR  
SECRETARY

**AFFORDABLE HOUSING LOAN AGREEMENT**

**by and between**

**GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**

**and**

**TAMERLANE ASSOCIATES, LLC**  
**(12172 Tamerlane Drive)**



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EXHIBIT I	PRO FORMA

## AFFORDABLE HOUSING LOAN AGREEMENT

This **AFFORDABLE HOUSING LOAN AGREEMENT** (the "Agreement") is entered into as of February 9, 2010 ("Effective Date"), by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Agency"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

### RECITALS

A. Owner has entered or will enter into an agreement or agreements to purchase a parcel of real property located within the City of Garden Grove at 12172 Tamerlane Drive, which is improved with a six (6) unit (each a "Unit") apartment complex thereon, as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference (the "Property").

B. By this Agreement, and subject to the terms and conditions herein, the Agency desires to provide financial assistance to Owner in the form of a loan in the principal amount of Nine Hundred Eighty Thousand, Six Hundred Forty-Nine Dollars (\$980,649) and a payment of Fifty Thousand Dollars (\$50,000) from funds held by the Agency in its Low and Moderate Income Housing Fund pursuant to Health & Safety Code Section 33334.2 ("Set Aside Funds").

C. In addition, Owner will borrow funds from a third party institutional lender in the amount of Six Hundred Thousand Dollars (\$600,000) ("Bank Loan").

D. Owner agrees to use the Agency Loan and the Bank Loan to acquire, rehabilitate and operate the Property. Such Acquisition, Rehabilitation and Operation will herein be referred to as the "Project."

E. In consideration of the Agency Loan, the Owner agrees to complete the Rehabilitation and rent each Unit to households earning 60% of the median income in Orange County or less at an affordable rent for a period of at least fifty-five (55) years ("Operating Period") from the date of the completion of the Rehabilitation.

F. The Project completion of the Project is in the vital and best interest of the City and the health, safety 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**, the parties hereto agree as follows:

#### **100. AGENCY ASSISTANCE**

**101. Agency Loan.** The Agency hereby agrees to loan to the Owner and the Owner hereby agrees to borrow from the Agency the amount of Nine Hundred Eighty Thousand, Six Hundred Forty-Nine Dollars (\$980,649), subject to the terms and conditions set forth in this Agreement, and subject further to the terms and conditions set forth within the documents and instruments executed by the Owner in connection with this transaction, including the "Promissory Note," in substantially the form set forth in Exhibit B, the "Deed of Trust," in substantially the form set forth in Exhibit C, the "Regulatory Agreement," and the Notice of Affordability Restrictions substantially in the form of Exhibit H in substantially the form set forth in Exhibit E, the

"Option Agreement" in substantially the form set forth in Exhibit F and the Notice of Affordability Restrictions substantially in the form of Exhibit H. The obligations of the Owner under the Promissory Note shall be non-recourse.

**101.1 Repayment of the Agency Loan.** The Agency Loan shall accrue simple interest at the rate of three percent (3%) per annum. Payments of the Agency Loan shall be made on an annual basis from seventy-five percent (75%) of the residual cash flow ("Net Profits") from the operation of the Property until the entire principal amount of the Promissory Note is repaid in full.

**101.2 Review of Project Records by Agency.** The Agency shall be entitled to review the books and records of the Owner pertaining to the Operating Expenses and Net Profits of the Property, during normal business hours and upon reasonable advance notice. For the purposes of this Section 101, "Net Profits" means the gross income the Owner receives from the operation of the Property ("Project Revenues"), less deposits to reserve accounts and "Operating Expenses," as hereafter defined. "Operating Expenses" shall mean actual, reasonable and customary costs, fees and expenses directly incurred and attributable to the financing, operation, maintenance, and management of the Property, including without limitation payment of debt service on the loans approved by the Agency as set forth herein, painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, sewer charges, real and personal property taxes and assessments, insurance, securities, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, a management fee not to exceed five percent (5%) of gross rents and other income of the Property pursuant to Section 309 hereof; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, capital repairs and improvements, and other payments by the Owner pursuant to this Agreement, including indemnity obligations; provided, however, that payments to parties related to or affiliated with Owner for Operating Expenses must not exceed market rates for comparable projects in Orange County. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported to the Agency not less than annually in annual financial statements accompanied by a certification of the Owner that such financial statements present the financial position, results of operations, and cash flows fairly and in accordance with generally accepted accounting principles. Owner shall transmit to the Agency copies of any audited financial statements received by Owner, if any, promptly after receipt.

**101.3 Substitution of Other Sources of Funding.** The Agency's financial assistance under this Agreement is intended to come from Set Aside funds; however, the Agency reserves the right, in its sole and absolute discretion, to substitute another funding source(s) for the Set Aside Funds committed by this Agreement. In the event the Agency changes the funding source(s), the parties hereby agree to amend this Agreement, as reasonably necessary, and to execute additional documents that may be required to comply with applicable law as a result of the change in funding source(s).

**102. Disbursement of the Agency Loan.** The Agency Loan shall be disbursed into the escrow established for the Acquisition of the Property. The Agency Loan shall be disbursed on behalf of the Owner upon satisfaction of all of the following conditions precedent (the "Conditions Precedent"):

(a) **Execution and Delivery of Documents.** Owner shall have executed and delivered into Escrow the Promissory Note, the Deed of Trust, the Regulatory Agreement, the Notice of Affordability Restrictions, the Option Agreement, and any other documents and

instruments required to be executed and delivered by Owner (collectively, the "Agency Loan Documents"). The Deed of Trust shall be subordinate only to those documents required in connection with the Bank Loan which is permitted or approved by the Agency as provided in Section 211 hereof, and shall not be subordinate to the lien of any other loans, mortgages or deeds of trust, except as provided in Section 211 hereof.

(b) **Financing.** The Agency shall have approved the Bank Loan, and all documentation related thereto, for the Project pursuant to Section 211 hereof and such financing shall close concurrently with the Agency Loan.

(c) **Property Appraisal.** The Owner shall have submitted to Agency a true and correct copy of an appraisal of the fair market value of the Property, and Agency shall have conducted any appraisals of the Property and/or evaluations of market data which it desires, demonstrating to the satisfaction of the Agency that the purchase price to be paid by the Owner for the Property is not greater than the fair market value of the Property.

(d) **Title Insurance.** The Agency shall have received from a title insurance company approved by the Agency, a pro forma of a policy of lender's title insurance, together with such endorsements as the Agency may require, which shall insure the Deed of Trust as a lien upon the Property, junior and subordinate only to Bank Loan as approved pursuant to Section 211 hereof.

(e) **Title to Land.** The Owner shall, as of the closing with respect to the acquisition of the Property, have good and marketable fee title to the Property, and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and assessments not yet due and payable, the deeds of trust and other documents in connection with securing the Bank Loan approved by the Agency pursuant to Section 211 hereof, and any other matters approved in writing by the Agency. The Owner's acquisition of the Property shall be completed no later than one hundred eighty (180) days from the Effective Date of this Agreement.

(f) **Recordation.** The Deed of Trust, the Regulatory Agreement, the Option Agreement, and the Notice of Affordability Restrictions shall be recorded against the Property concurrently with or prior to the time of the disbursement of the Agency Loan.

(g) **Management Plan.** Agency shall have approved the Management Plan pursuant to Section 309 hereof.

(h) **No Default.** There shall exist no condition, event or act which would constitute an Event of Default (as hereinafter defined) hereunder or which, upon the giving of notice or the passage of time, or both, would constitute an Event of Default.

(i) **Representations and Warranties.** All representations and warranties of Owner herein contained shall be true and correct.

The parties shall attempt to complete all of their pre-closing obligations as soon as possible after the execution of this Agreement, and no later than one hundred eighty (180) days from the Effective Date of this Agreement, unless the parties mutually agree to a later date. The Owner shall use a portion of the Agency Loan proceeds in the amount of Twenty-Seven Thousand Dollars

(\$27,000) to establish an Operating Reserve, pursuant to Section 308 hereof. The proceeds of the Agency Loan shall not be used for other reserve accounts, monitoring, servicing and origination fees, or for expenditures made or incurred more than one year after Property acquisition.

**103. Assumption of Agency Loan.** Except in connection with transfers approved or permitted pursuant to Section 604 hereof, the Promissory Note shall not be assignable by the Owner or assumable by successors and assigns of Owner. In no event, however, shall the Promissory Note be assigned except in connection with the conveyance of the Property to the person or entity which acquires the Promissory Note.

**104. Payment of Developer's Fee.** In further consideration of the obligations of Owner hereunder, the Agency shall pay a "Developer's Fee" in the amount of Fifty Thousand Dollars (\$50,000), payable upon Owner's acquisition of the Property to Owner or such other person or entity as Owner may direct.

**105. Condition of the Property.** The following requirements shall apply to the Property:

**105.1 Environmental Condition Prior to Agency Loan Disbursement.** Except as otherwise disclosed in reports obtained by or provided to the Agency, the Owner represents to the Agency that it is not aware of, to the best of its actual knowledge, and it has not received any notice or communication from any governmental agency having jurisdiction over the Property, or any other person or entity, or any reports or studies, notifying it of the presence of Hazardous Materials or Hazardous Materials Contamination in, on, or under the Property, or any portion thereof, or any violation of applicable laws. The Owner further represents that it knows of no circumstances, conditions or events that may, now or with the passage of time, give rise to any environmental or other legal claim against or affecting the Property. The Owner represents that any inspection reports, environmental audits, reports or studies which concern the Property, or inspection reports from applicable regulatory authorities with respect to the Property, which the Owner has received, have been delivered to the Agency.

**105.2 Indemnification.** Owner shall save, protect, pay for, defend, indemnify and hold harmless the Agency and the City of Garden Grove ("City") and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents, from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by the Agency and/or City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or the violation of Governmental Requirements.

**105.3 Release.** The Owner hereby waives, releases and discharges forever the Agency and the City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the Agency's and/or the City's or the Owner's use, maintenance, ownership or operation of the Property, any

Hazardous Materials on the Property, however they came to be placed there, except that arising out of the negligence or misconduct of the Agency and/or City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents.

The Owner acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

As such relates to this Section 105.3, the Owner hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

**105.4 Duty to Prevent Release of Hazardous Materials.** During its ownership and operation of the Property, the Owner shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Owner shall notify the Agency, and provide to the Agency a copy or copies, of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Owner shall report to the Agency, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

**105.5 Definitions.** For purposes of this Section 105, “Governmental Requirements” shall mean all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the Agency, or any other political subdivision in which the Property is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the Agency, the Owner or the Property.

For purposes of this Section 105, “Hazardous Materials” means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a “hazardous material,” “hazardous substance,” or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (x) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, *et seq.* (42 U.S.C.

§6903) or (xi) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.* Hazardous Materials shall not include such products in quantities as are customarily used in the construction, maintenance, or management of multifamily residential developments or associated buildings or grounds, or typically used in multifamily residential activities in a manner typical of comparable multifamily residential developments, or substances commonly and lawfully ingested by a significant population living within the Agency, including without limitation alcohol, aspirin, tobacco and saccharine.

**106. Timing of Acquisition.** The Owner hereby covenants and agrees to acquire the Property (the “Acquisition” or “Acquire”) no later than one hundred eighty (180) days from the Effective Date of this Agreement.

## **200. REHABILITATION OF THE PROPERTY**

**201. Rehabilitation of the Property.** The Owner agrees to rehabilitate the Property in accordance with the Schedule of Performance which is attached hereto as Exhibit G and incorporated herein by reference, the Federal Housing Quality Standards, 24 CFR § 982.401, the City Municipal Code, and all other applicable local codes, rehabilitation standards, ordinances and zoning ordinances, and the Work Write-up which is approved by the Agency pursuant to Section 203 hereof (the “Rehabilitate” or “Rehabilitation”). The Rehabilitation shall be conducted on a unit-by-unit basis and in such a manner so as to avoid or minimize tenant displacement to the greatest extent feasible in accordance with the provisions of Section 210.2 below. Owner shall submit to the Agency one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the Agency providing for the Rehabilitation of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall have provided to the Agency the certification required by 24 CFR § 24.510 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, and the Agency shall be responsible for determining whether each contractor has been debarred. The Agency Director (“Director”) or his designee shall reasonably approve such contract or contracts if the Director or his designee finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Rehabilitation of the Property in a first class manner in accordance with all of the requirements of this Agreement.

**202. Cost of Rehabilitation.** The cost of Rehabilitation shall be paid using funds allocated for Rehabilitation, as set forth in the Pro Forma attached hereto as Exhibit I and incorporated herein by reference, which estimates a cost of Fourteen Thousand, Six Hundred Four Dollars (\$14,604) per unit, in the total amount of Eighty-Seven Thousand, Six Hundred Twenty-Four Dollars (\$87,624) plus a contingency of Eight Thousand, Seven Hundred Sixty-Two Dollars (\$8,762) and a construction management fee payable to Owner of Eight Thousand, Seven Hundred Sixty-Two Dollars (\$8,762) (the “Rehabilitation Allocation”). In the event the Rehabilitation Allocation is insufficient to pay for the total cost of Rehabilitation, the Owner shall locate and utilize another funding source(s) for the remainder of such costs. The Owner shall submit to the Agency a final line item budget for any proposed Rehabilitation of the Property, which budget shall include without limitation a description of uses by phase and total cost of Rehabilitation. The Agency shall reasonably approve such budget if the budget is reasonably calculated to fund the Rehabilitation of the Property in accordance with Federal Housing Quality Standards and all of the requirements of this Agreement.



**203. Work Write-up.** Within thirty (30) days after the Effective Date of this Agreement, the Owner shall submit to the Agency detailed plans, materials and drawings describing the Rehabilitation of the Property (collectively, the "Work Write-up"), and the Agency shall have the right to review and approve or disapprove, in its reasonable discretion, the Work Write-up. During the preparation of the Work Write-up, staff of the Agency and the Owner shall communicate and consult informally as frequently as necessary to coordinate the preparation and review of the Work Write-up. If the Owner desires to propose any revisions to the Agency-approved Work Write-up, it shall submit such proposed changes to the Agency and the Agency shall review the proposed change and notify the Owner in writing within thirty (30) days after submission to the Agency as to whether the proposed change is approved or disapproved. The Agency shall not be responsible either to the Owner or to third parties in any way for any defects in the Work Write-up, nor for any structural or other defects in any work done according to the approved Work Write-up, nor for any delays reasonably caused by the review and approval processes established by this Section 203. The Owner shall hold harmless, indemnify and defend the Agency and the City of Garden Grove and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents from and against any claims, suits for damages to property or injuries to persons arising out of or in any way relating to defects in the Work Write-up, including without limitation the violation of any laws, and for defects in any work done according to the approved Work Write-up.

**204. Timing of Rehabilitation.** The Owner hereby covenants and agrees to commence the Rehabilitation of the Property within the time set forth in the Schedule of Performance. The Owner further covenants and agrees to diligently prosecute to completion the Rehabilitation of the Property in accordance with the approved Work Write-up and to file a Notice of Completion pursuant to California Civil Code Section 3093 within the time set forth in the Schedule of Performance. Notwithstanding the Schedule of Performance, the deadlines for performance under this Agreement set forth therein may be extended if the completion of Rehabilitation according to the Schedule of Performance would displace a resident, unless the resident can be transferred to another unit on the Property, or by mutual written agreement of the parties.

**205. Agency and Other Governmental Agency Permits.** Before commencement of the Rehabilitation for the Property, the Owner shall secure or cause its contractor to secure any and all permits which may be required by the Agency or any other governmental agency affected by such construction, including without limitation building permits. The Owner shall pay all necessary fees and timely submit to the Agency final drawings with final corrections to obtain such permits.

**206. Right of the Agency to Satisfy Other Liens on the Property After Agency Loan Disbursement.** After the disbursement of the Agency Loan and prior to the completion of the Rehabilitation of the Property, and after the Owner has had written notice and has failed after a reasonable time, but in any event not less than forty-five (45) days, to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Property which are not otherwise permitted under this Agreement, the Agency shall have the right but not the obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Owner shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance applicable to the Owner in respect thereto.

**207. Release of Construction Covenants.** Promptly after the completion of the Rehabilitation of the Property in conformity with this Agreement (as reasonably determined by the Director or his designee), upon the written request of the Owner, the Agency shall furnish the Owner with a Release of Construction Covenants (in the form attached hereto as Exhibit D) which evidences and determines the satisfactory completion of the Rehabilitation, in accordance with this Agreement.

The issuance and recordation of the Release of Construction Covenants shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, or uses, or payment of monies, or any other obligations, except for the obligation to complete the Rehabilitation as of the time of the issuance of the Release of Construction Covenants.

**208. Insurance and Indemnity.**

**208.1 Commencement of Work.** Owner shall not commence work under this Agreement until all certificates and endorsements have been received and approved by Agency. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify Agency of any material change, cancellation, or termination at least thirty (30) days in advance.

**208.2 Workers Compensation.** For the duration of this Agreement, Owner and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. Coverage shall include a waiver of subrogation waiving subrogation rights against Agency, its officers, officials, agents, employees, and volunteers.

**208.3 Insurance Amounts.** The owner shall take out and maintain or shall cause its contractor to take out and maintain during the term of the Affordability Period (as set fourth in Section 301 hereof) the following insurance coverage:

(a) Commercial general liability in the amount of \$4,000,000 per occurrence; Coverage shall have no exclusions for Excavation, Collapse, or Underground (XCU); (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to Agency and have a Best's Guide Rating of A-Class VII or better, as approved by Agency.

(b) Automobile liability in the amount of \$2,000,000 combined single limit, including mobile equipment, if any, and contractual liability; (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to Agency and have a Best's Guide Rating of A-Class VII or better, as approved by Agency.

(c) Commercial crime/theft in the amount of \$250,000. Insurance companies must be acceptable to Agency and have a Best's Guide Rating of A-Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

(d) In the event asbestos remediation is required during the Rehabilitation, Owner shall cause the general contractor and/or asbestos abatement subcontractor to secure, during such period, an asbestos policy in an amount not less than \$2,000,000 per occurrence. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

(e) Builder's All Risk in an amount equal to the replacement value of the property. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

(f) Excess Liability Policy in an amount not less than \$3,000,000 for any underlying policies that do not meet contractual policy limits. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

An Additional Insured Endorsement, ongoing and completed operations, for the policy under Section 208.3(a) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the Owner. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency. (Forms CG 20 26 07 04 or equivalent and CG 20 37 07 04 or equivalent)

An Additional Insured Endorsement for the policy under Section 208.3(b) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, leased, hired, or borrowed by the Owner. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency. (Form CA 20 48 02 99 or equivalent for the auto mobile liability policy, and the mobile equipment coverage by separate endorsement.)

A Loss Payee Endorsement for the policy under Section 208.3(c) shall designate Agency as Loss Payee.

An Additional Insured Endorsement, asbestos policy, for the policy under Section 208.3(d) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency.

An Additional Insured Endorsement, builders' all risk policy, for the policy under Section 208.3(e) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency.

An Additional Insured Endorsement, excess liability policy, for the policy under Section 208.3(f) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds. Contractor shall also provide the schedule of underlying policies and state on the insurance certificate that the excess policy follows from Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency.

A waiver of subrogation for all policies shall be provided against the Agency, City, and their officers, officials, agents, employees, and volunteers.

For any claims related to this Agreement, Owner's insurance coverage shall be primary insurance as respects Agency, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by Agency, its officers, officials, employees, agents, or volunteers shall be in excess of the Owner's insurance and shall not contribute with it.

**209. Entry by the Agency.** Owner shall permit the Agency, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the work of Rehabilitation

to determine that the same is in conformity with the Work Write-up and all the requirements hereof. Owner acknowledges that neither the Agency nor the City is under no obligation to supervise, inspect, or inform Owner of the progress of construction, and Owner shall not rely upon the Agency therefor. Any inspection by the Agency is entirely for the purpose of determining whether Owner is in default under this Agreement and is not for the purpose of determining or informing Owner of the quality or suitability of construction. Owner shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

**210. Compliance With Laws.** The Owner shall carry out the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

**210.1 Taxes and Assessments.** The Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Owner's right to contest in good faith any such taxes or to receive an exemption from the payment of such taxes.

**210.2 Relocation.** Owner shall conduct and submit to the Agency a tenant survey, completed by each tenant household currently residing on the Property and such other information as reasonably required by Agency to evaluate the relocation obligations, if any, required by federal, state and/or local law with respect to the Project. The acquisition and Rehabilitation, if applicable, shall be conducted in such a manner as to prevent, to the maximum extent feasible, any displacement of existing tenants in accordance with applicable law. The Owner and the Agency shall attempt to obtain Section 8 certificates or other housing subsidies as necessary to provide relocation assistance to the existing tenants of the Property who are not participants in the Owner's program (as hereinafter described). Immediately after the execution of this Agreement, the Agency and Owner shall cooperate in sending notices (the "Lease Notice") to the existing tenants of the Property notifying and advising such tenants of their right to lease and occupy a unit in the Property, for reasonable terms and conditions, including, but not limited to: (i) term of lease not less than one year, (ii) monthly rent and estimated average utility costs that do not exceed the greater of: (a) the tenant's monthly rent before this Agreement and estimated average monthly utility costs; or (b) Rent calculated pursuant to HOME Program requirements if the tenant is low income, or 30% of gross income if the tenant is not low income. In addition, if any existing tenant is required to move temporarily from the Property and will not be permanently displaced, such tenant(s) will receive temporary relocation assistance and benefits set forth in HOME Regulations Section 92.353(b) ("HOME Regulations" shall mean 24 C.F.R. Part 92. The form of such notice shall be approved by the Agency prior to its delivery to the tenants. The Owner shall enter into a written lease with each tenant, in a form approved by the Agency, that shall implement the monthly rent limit set forth in the Lease Notice. In the event that any permanent displacement of tenants of the Property occurs, the Agency shall provide relocation assistance in accordance with the HOME Regulations Section 92.353, Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act, 42 U.S.C. § 4601, *et seq.*, the California Relocation Assistance Law, Government Code Section 7260, *et seq.*, and the regulations adopted pursuant thereto by the State of California and the Agency (collectively, the "Relocation Laws"), and in a manner approved by the Agency to each displaced tenant household required to temporarily or permanently vacate a unit within the Property

as a result of the Owner's acquisition of the Property or for purposes of completing the Rehabilitation of the Property. In the event of permanent displacement of existing tenants due to the implementation of this Agreement, despite the Owner's efforts to prevent such displacement as provided above, the Agency shall be fully responsible for administering determinations of eligibility and payments pursuant to the Relocation Laws. The Agency shall bear the cost of such relocation.

**210.3 Liens and Stop Notices.** The Owner shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Owner shall within thirty (30) days of such recording or service or within five (5) days of the Agency's demand, whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the Agency a surety bond in sufficient form and amount, or otherwise; or provide the Agency with other assurance which the Agency deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of Agency from the effect of such lien or bonded stop notice.

**210.4 HOME Matching Contribution.** This Agreement and the Agency expenditures hereunder are intended to be a "Matching Contribution" as that term is used in the HOME Investment Partnership Act, 42 U.S.C. § 12701, *et seq.*, as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations, as they now exist and as they may hereafter be amended (the "HOME Program"). Accordingly, the Owner shall comply with all applicable requirements of the HOME Program, as it now exists or may hereafter be amended. Specifically, without limitation, the Rehabilitation shall comply, to the extent applicable, with the requirements of the Davis-Bacon Act (40 U.S.C. §276a - 276a-5), and as applicable, the Contract Work Hours and Safety Standards Act (40 U.S.C. §3701 *et seq.*), and other applicable federal laws and regulations pertaining to labor standards. Upon request, the City shall provide to the Owner a copy of applicable HOME Program requirements.

**210.5 CRL Requirements.** The Agency Loan will be provided from Set Aside Funds. Health and Safety Code Section 33449 allows the funds to be used to provide housing to "persons and families of low or moderate income" and "very low income households," as defined in Sections 50093 and 50105 of the Health and Safety Code. The Owner agrees, pursuant to Section 301 below, that each of the six (6) Units will be provided to persons, families, or households whose incomes do not exceed sixty percent (60%) of the area median income in Orange County, adjusted for household size ("AMI"), at an Affordable Rent for the entire Affordability Period. Owner also agrees to comply with each and every requirement of the CRL, including but not limited to the covenants against discrimination set forth in Section 311, below and the Notice of Affordability Restrictions.

**210.6 Prevailing Wage Requirements.** The Agency and Owner believe that the California prevailing wage laws are not implicated by this Agreement and the Rehabilitation work to be performed hereunder because the Project meets the requirements of Section 1720(c)(6)(E) of the Labor Code which exempts from the prevailing wage laws affordable housing projects receiving public funding in the form of below-market interest rate loans for a project in which occupancy of at least forty percent (40%) of the units is restricted for at least twenty (20) years, by deed or regulatory agreement, to individuals or families earning no more than eighty percent (80%) of AMI. Notwithstanding the immediately preceding sentence, Owner hereby expressly acknowledges and agrees that the Agency has not previously affirmatively represented to the Owner or its contractor(s), if any, for the Rehabilitation of the Property, in writing or otherwise, that the Rehabilitation to be

performed by Owner and covered by this Agreement is not a "public work," as defined in Section 1720 of the Labor Code.

**210.7 Agency Parking Programs and Requirements.** The Owner shall comply with all ordinances and other requirements or programs established by the Agency with respect to parking, including, without limitation, any ordinances, building code provisions or housing code provisions which require that the garages in the Property shall not be used for human habitation or commercial uses.

**211. Financing of the Property.** The Agency acknowledges that the Owner intends to obtain financing from private funding sources for a portion of the costs of acquisition of the Property with the Bank Loan which, together with the Agency Loan and Owner's resources would be sufficient to pay the full costs of the Project. Prior to and as a Condition Precedent to the disbursement of the Agency Loan, the Agency shall consider and approve, conditionally approve or reject the proposed Bank Loan, and any equity contributions necessary to finance the Property. Until the Agency Loan is repaid in full, the Owner shall not enter into any financing for the Property without the prior written approval of the Agency, which approval Agency agrees to give if such proposed financing is provided by a responsible financial institution and the ratio of total debt and equity financing (including the Agency Loan) to the purchase price of the Property does not exceed One Hundred Percent (100%). The Agency's approval of such financing shall not be unreasonably withheld or delayed. Upon the request of the Owner, the Agency Loan Deed of Trust shall be made subordinate to the Bank Loan provided that the Bank Loan meets the requirements of Section 312.

**211.1 Holder Performance of Rehabilitation.** The holder of any mortgage or deed of trust authorized by this Agreement shall not be obligated by the provisions of this Agreement to perform the Rehabilitation of the Property, or to guarantee such construction or completion; nor shall any covenant or any other provision in this Agreement be construed so to obligate such holder. Whenever the Agency may deliver any notice or demand to Owner with respect to any breach or default by the Owner in completion of Rehabilitation of the Property, the Agency may at the same time deliver to each holder of record of any mortgage or deed of trust authorized by this Agreement a copy of such notice or demand. Each such holder shall (insofar as the rights granted by the Agency are concerned) have the right, at its option, within thirty (30) days after the receipt of the notice, upon expressly assuming the Owner's obligations to the Agency by written agreement reasonably satisfactory to the Agency, to cure or remedy or commence to cure or remedy and thereafter to pursue with due diligence the cure or remedy of any such default and to add the cost thereof to the mortgage debt and the lien of its mortgage.

### **300. OPERATION OF HOUSING**

**301. Affordable Units.** The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the "Affordable Units"), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the "Operation" or "Operate").

For purposes of this Agreement, "Lower Income Households" shall mean those households with incomes that do not exceed sixty percent (60%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development ("HUD") or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time. .

Upon the Owner's acquisition of the Property, and annually thereafter, the Owner shall submit to the Agency a completed income computation and certification form, in a form to be provided by the Agency. The Owner shall certify that each tenant leasing an Affordable Unit meets the income restrictions of this Section 301 and that tenant's rental agreement states rent is Affordable Rent per Health & Safety Code Section 50053 for Lower Income households. The Owner shall obtain an income certification from the tenant of each Affordable Unit which shall certify that the income of the tenant is truthfully set forth in the income certification form. The Owner shall verify the income certification of the tenant in one or more of the following methods:

- (1) obtain two (2) paycheck stubs from the tenant's two (2) most recent pay periods, if any.
- (2) obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed, if any.
- (3) obtain an income verification certification from the employer of the tenant, if any.
- (4) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, if any.
- (5) obtain an alternate form of income verification reasonably requested by the Owner, if none of the above forms of verification is available to the Owner, if any.

The Property shall be subject to the requirements of this Section 300 from the date of Owner's acquisition of the Property until the fifty fifth (55<sup>th</sup>) anniversary of such date. The duration of this requirement shall be known as the "Affordability Period."

**302. Affordable Rent.** The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the Agency in accordance with the following "Affordable Rent" requirements.

Four (4) of the Affordable Units shall be "Floating Home Units" rented to Lower Income Households at "maximum HOME Rent limits" each as defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit, less the monthly allowance for utilities and services to be paid by each tenant ("Affordable Rent"). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed thirty percent (30%) of the family's adjusted income not to exceed fair market rental value for such Unit.

For purposes of this Agreement, "Monthly Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other

heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Owner.

**303. Lease Requirements.** Prior to disbursement of the Agency Loan, the Owner shall submit a standard lease form to the Agency for the Agency's approval. The Agency shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code Sections 33000 *et seq.* ("CRL") and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the Agency, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to Section 92.253 of the HOME Regulations.

**304. Affirmative Marketing.** The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the Agency and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

**305. Selection of Tenants.** Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The Agency may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the Agency in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME Program, Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

**306. Occupancy Standards.** Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

**307. Maintenance.** The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the Agency with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the Agency with respect to landscaping and building improvements, then the Agency, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the



Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the Agency and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the Agency, as appropriate, upon demand.

**308. Reserve Requirements.** The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner's acquisition of the Property, the sum of Twenty-Seven Thousand Dollars (\$27,000) (the "Operating Reserve"), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the Agency of compliance herewith.

Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the "Capital Replacement Reserve"). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner's acquisition of the Property, after which time the Owner shall continue making monthly deposits of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the Agency an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement and irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement, and common area repainting.

In the event that Owner provides evidence reasonably satisfactory to Agency that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the Agency shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

**309. Long Term Management of the Property.** The parties acknowledge that the Agency is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the

“Property Manager”). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the Agency may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the Agency determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the Agency shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 501 hereof, the Agency shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the Agency, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the Agency a “Management Plan” which sets forth in detail the Owner’s property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the Agency.

Until the Agency Loan has been fully repaid, the Owner shall annually submit to the Agency for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the Agency. The Owner shall annually provide to the Agency a detailed accounting of operating expenses and shall make its books and records available to the Agency for inspection and copying, upon reasonable advance notice during its normal hours of business.

**310. Monitoring and Recordkeeping.** Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and shall annually complete and submit to Agency a Certification of Continuing Program Compliance in the form provided by the Agency. Representatives of the Agency shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to compliance herewith, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the Agency in making the Property available for such inspection or audit. If for any reason the Agency is unable to obtain the Owner’s consent to such an inspection or audit, the Owner understands and agrees that the Agency may obtain at Owner’s expense an administrative inspection warrant or other appropriate

legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

**311. Non-Discrimination Covenants.** Owner covenants by and for itself, its successors 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. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof, shall contain or be subject to substantially the following non-discrimination or non-segregation 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 premises which are the subject of this Agreement, 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.”

**312. Compliance with Equal Opportunity and Fair Housing.** Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency and its successors and assigns, and shall remain in effect in perpetuity.

**313. Subordination.** This Agreement shall run with the land and shall be subordinate to the Bank Loan approved by the Agency pursuant to Section 211, provided that the Agency finds that an economically feasible method of financing for the acquisition and operation of the Property, without the subordination of the covenants as may be set forth in this Agreement and the Affordable Housing Loan Agreement, is not reasonably available. Upon making such a finding, the Director (or designee) is hereby authorized to execute such subordination agreements and/or such other documents as may be necessary to evidence such subordination, provided that such subordination agreements contain written commitments which the Director (or designee) finds are reasonably designed to protect the Agency’s investment in the event of default, such as any of the following: (a) a right of the Agency to cure a default on the loan prior to foreclosure, (b) a right of the Agency to negotiate with the lender after notice of default from the lender and prior to foreclosure, (c) an agreement that if prior to foreclosure of the loan, the Agency takes title to the Property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to the Agency, and (d) a right of the Agency to purchase the Property from the Owner at any time after a default on the loan.

**314. Regulatory Agreement.** The requirements of this Agreement which are applicable after the disbursement of the Agency Loan are set forth in the Regulatory Agreement and Notice of Affordability Restrictions. The execution and recordation of the Regulatory Agreement is a Condition Precedent to the disbursement of the Agency Loan, as set forth in Section 102 hereof. The Regulatory Agreement shall run with the land and shall be subordinate to the lien of the Bank Loan approved by the Agency pursuant to Section 211 hereof, provided that the Agency finds that an economically feasible method of financing for the acquisition and operation of the Property, without the subordination of the covenants as may be set forth in this Agreement and the Regulatory Agreement, is not reasonably available. Upon making such a finding, the Director (or designee) is hereby authorized to execute such subordination agreements and/or such other documents as may be necessary to evidence such subordination, provided that such subordination agreements contain written commitments which the Director (or designee) finds are reasonably designed to protect the Agency’s investment in the event of default, such as any of the following: (a) a right of the Agency to cure a default on the loan prior to foreclosure, (b) a right of the Agency to negotiate with the lender after notice of default from the lender and prior to foreclosure, (c) an agreement that if prior to foreclosure of the loan, the Agency takes title to the property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to the Agency, and (d) a right of the Agency to purchase the Property from the Owner at any time after a default on the loan.

#### **400. OPTION TO PURCHASE**

**401. Option.** The Owner hereby grants to the Agency, and the Agency shall have, subject to any deeds of trust which have been approved pursuant to Section 211 of this Agreement, an option

(the "Option") to purchase the Property from Owner at the purchase price set forth in the Option (the "Option"). The Agency shall have the right but not the obligation to exercise the Option at any time commencing upon the date of the Owner's acquisition of the Property (the "Option commencement date"). If the Option has not been exercised within twenty (20) years of the Option commencement date, it shall automatically expire. Upon such expiration, the Agency shall, upon receipt of request therefor by the Owner, provide written confirmation in recordable form that such Option no longer remains in effect. The terms and conditions of the Option shall be set forth in an Option Agreement substantially in the form of Exhibit F, which is attached hereto and incorporated herein, which shall be executed by the parties to the Option and recorded as an encumbrance to the Property concurrently with the Owner's acquisition of the Property.

## **500. DEFAULT AND REMEDIES**

**501. Events of Default.** A failure by any party to perform any action or covenant required by this Agreement, the Regulatory Agreement, the Promissory Note, the Deed of Trust, or any loan or deed of trust for the Property which is senior to the Agency Loan, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" under this Agreement. A party claiming a Default shall give written notice of Default to the other parties specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within thirty (30) days from receipt of such notice of such Default hereunder. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Owner is in default on any loan or deed of trust senior to the Agency Loan, the Owner shall immediately deliver to the Agency a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the Agency shall each have the right (but not be obligated) to cure such default. In such event, the Agency shall be entitled to reimbursement from the Owner of all costs and expenses it has actually incurred in curing such default. The Agency shall be entitled to add the amount incurred by it to the amounts owing pursuant to the Promissory Note, and secured by the Deed of Trust.

**502. Remedies.** The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement and/or the Promissory Note, Deed of Trust or Regulatory Agreement (collectively, the "Agency Loan Documents"), including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under the Agency Loan Documents or to enjoin acts or things which may be unlawful or in violation of the provisions of the Agency Loan Documents, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Owner will relieve the Agency of any obligation to perform hereunder, including without limitation to make or continue the Agency Loan, and the right to cause all indebtedness of the Owner to the Agency under this Agreement and the Promissory Note, together with any accrued interest thereon, to become immediately due and payable.

**503. Force Majeure.** Subject to the party's compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be a default hereof,

and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other party, acts or failures to act of any public or governmental entity (except that the Agency's acts or failure to act shall not excuse performance of the Agency hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Inability to obtain financing for the acquisition or operation of the Property shall not constitute an event beyond the control of the Owner for purposes of this Section 503.

**504. Attorneys' Fees.** In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder or under any of the Agency Loan Documents, the prevailing party shall be entitled to recover from the other party its costs of suit and reasonable attorneys' fees.

**505. Remedies Cumulative.** No right, power, or remedy given to the Agency by the terms of this Agreement or the Agency Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the Agency by the terms of any such instrument, or by any statute or otherwise against Owner and any other person.

**506. Waiver of Terms and Conditions.** The Agency may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

**507. Non-Liability of Agency Officials and Employees.** No member, official, elected official, consultant, attorney, representative, employee or agent of the Agency and/or City shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the Agency and/or City or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

## **600. GENERAL PROVISIONS**

**601. Time.** Time is of the essence in this Agreement.

**602. Notices.** Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Owner: Tamerlane Associates, LLC  
14 Corporate Plaza, Suite 100  
Newport Beach, CA 92660  
Attention: Chuck Fry

Agency: Garden Grove Agency for Community Development  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attn: Economic Development Director

Such addresses may be changed by notice to the other party given in the same manner as provided above.

**603. Representations and Warranties of Owner.** Owner hereby represents and warrants to the Agency as follows:

(a) **Organization.** Owner is a duly organized, validly existing limited liability company in good standing under the laws of the State of California and has the power and authority to own property and conduct such business as now being conducted.

(b) **Authority of Owner.** Owner has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Agency Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, to acquire and operate the Property, and to perform and observe the terms and provisions of all of the above.

(c) **Valid Binding Agreements.** This Agreement and the Agency Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Owner enforceable against it in accordance with their respective terms.

(d) **Pending Proceedings.** Owner is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Owner, threatened against or affecting Owner or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Owner, materially affect Owner's ability to repay the Agency Loan or impair the security to be given to the Agency pursuant hereto.

(e) **Layering Review.** The Owner acknowledges that a layering review was performed in accordance with 24 CFR 92.250 (b). The Owner hereby represents and certifies to the Agency that no government assistance other than the Agency Loan, comprised of the HOME Funds and the Set Aside Funds, has been obtained or is contemplated to be obtained for the acquisition of the Property. The Owner agrees to notify the Agency in the event that it applies for or proposes to use other governmental funds for the Property prior to the end of the Affordability Period.

**604. Limitation Upon Change in Ownership, Management and Control of the Property.**

(a) **Prohibition.** The identity and qualifications of Owner as an experienced and successful operator of multifamily housing are of particular concern to the Agency. It is because of this identity and these qualifications that the Agency has entered into this Agreement with the Owner. No voluntary or involuntary successor in interest of the Owner shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Owner make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Property without the prior written approval of the Agency pursuant to Subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

(b) **Permitted Transfers.** Notwithstanding any other provision of this Agreement to the contrary, Agency approval of an assignment or transfer of this Agreement, the Agency Loan, the Promissory Note, the Deed of Trust, the Regulatory Agreement, or conveyance of the Property or any part thereof pursuant to subparagraph (c) of this Section 604, shall not be required in connection with any of the following (the "Permitted Transfers"):

(i) Subject to the restrictions of Sections 301 through 312 of this Agreement and the Regulatory Agreement, the lease of units within the Property to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by the Agency pursuant to Section 211 hereof.

(iii) Assignment of this Agreement and the conveyance of the Property to family members or a trust for estate planning purposes, or transfer of this Agreement and the Property to an entity in which Owner owns not less than fifty percent (50%) of the beneficial interest in the Property, and is under the management and control of the Owner, and the transferee entity executes an agreement reasonably acceptable to the Agency assuming all of the obligations under this Agreement.

In the event of an assignment by Owner not requiring the Agency's prior approval, Owner nevertheless agrees that at least ten (10) days prior to such assignment or transfer it shall give written notice to Agency of such assignment or transfer.

(c) **Agency Consideration of Requested Transfer.** The Agency agrees that it will not unreasonably withhold approval of a request made pursuant to this Section 604, provided (a) the Owner delivers written notice to the Agency requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability with respect to the operation of similar types of multifamily rental property, and comparable net worth and resources as necessary to operate the Property, and (c) the proposed assignee or transferee assumes the obligations of the Owner under this Agreement and the Promissory Note in a form which is reasonably acceptable to the Agency. Such notice shall be accompanied by evidence regarding the proposed assignee's or purchaser's qualifications and experience and its financial commitments and resources sufficient to enable the Agency to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 604(c) and other criteria as reasonably determined by the Agency. The Agency shall approve or disapprove the request within thirty (30) days of its receipt of the Owner's notice and all information and materials required herein. In no event, however, shall the



Agency be obligated to approve the assignment or transfer of the Agency Loan, Promissory Note or Deed of Trust pursuant to this Section 604, except to an approved transferee or assignee of the Owner's rights in and to the Property.

(d) **Successors and Assigns.** This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Owner and the permitted successors and assigns of the Owner. Whenever the term "Owner" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

**605. No Third Parties Benefited.** This Agreement is made and entered into for the protection and benefit of the Agency, its successors and assigns, and Owner, its permitted successors and assigns, and no other person or persons, except that the City and Housing Authority shall be third party beneficiaries of this Agreement, including but not limited to the Affordability covenants and the covenants against discrimination contained in this Agreement, the Regulatory Agreement, and the Notice of Affordability Restrictions and shall have the right to enforce such covenants.

**606. Partial Invalidity.** If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

**607. Governing Law.** This Agreement and the Agency Loan Documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

**608. Amendment.** This Agreement may not be changed orally, but only by agreement in writing signed by Owner and the Agency.

**609. Approvals.** Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the Agency, such approval may be given on behalf of the Agency by the Director or his or her designee. The Director or his or her designee is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement on behalf of the Agency, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement, and amendments which do not substantially change the uses or restrictions hereunder, or substantially add to the costs of the Agency hereunder.

*[Signature block begins on page 24.]*



**EXHIBIT A**

**LEGAL DESCRIPTION**

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

Lot 10 of Tract No. 3050, as shown on a Map recorded in Book 92, Page 31 and 32 of Miscellaneous Maps, records of Orange County, State of California.

APN: 231-471-35

## PROMISSORY NOTE

\$980,649

February 9, 2010

Garden Grove, California

**FOR VALUE RECEIVED, TAMERLANE ASSOCIATES, LLC**, a California limited liability company ("Owner"), promises to pay to the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Agency"), or order at the Agency's office at 11222 Acacia Parkway, Garden Grove, California 92840, or such other place as the Agency may designate in writing, the principal sum of Nine Hundred Eighty Thousand, Six Hundred Forty-Nine Dollars (\$980,649) (the "Note Amount"), in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

**1. Agreement.** This Promissory Note (the "Note") is given in accordance with that certain Affordable Housing Loan Agreement executed by the Agency and the Owner, dated as of February 9, 2010 (the "Agreement"). The rights and obligations of the Owner and the Agency under this Note shall be governed by the Agreement and by the additional terms set forth in this Note.

**2. Interest.** The Note Amount shall accrue simple interest at the rate of three percent (3%) per annum.

**3. Repayment of Note Amount.** The Owner shall make payments on this Note as follows, until the earlier to occur of (i) the full Note Amount is repaid in full or (ii) the Operating Period terminates: the Owner shall pay to the Agency an amount equal to seventy-five percent (75%) of the Net Profits from the Property on January 15<sup>th</sup> of each calendar year during the term of this Note. The Agency shall be entitled to review the books and records of the Owner pertaining to the Operating Expenses and Net Profits of the Property, during normal business hours and upon reasonable advance notice. For the purposes of this Section 3, "Net Profits" means gross income from the Property and any other income the Owner receives from the operation of the Property, less deposits to reserve accounts and "Operating Expenses," as hereafter defined. "Operating Expenses" shall mean actual, reasonable and customary costs, fees and expenses directly incurred and attributable to the financing, operation, maintenance, and management of the Property, including without limitation payment of debt service on the loans approved by the Agency as set forth herein, painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, sewer charges, real and personal property taxes and assessments, insurance, securities, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, a management fee not to exceed five percent (5%) of gross rents and other income of the Property pursuant to Section 309 of the Agreement; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, capital repairs and improvements, and other payments by the Owner pursuant to the Agreement, including indemnity obligations; provided, however, that payments to parties related to or affiliated with Owner for Operating Expenses must not exceed market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported to the Agency not less than annually in annual financial statements accompanied by a certification of the Owner

that such financial statements present the financial position, results of operations, and cash flows fairly and in accordance with generally accepted accounting principles. Owner shall transmit to the Agency copies of any audited financial statements received by Owner, if any, promptly after receipt.

Notwithstanding the above, however, the total amount of the principal, interest and any other amounts owed under this Note shall become immediately due and payable upon the earlier to occur of the following:

- (a) the sale, lease, exchange or other conveyance of the Property, as that term is defined in the Agreement (other than transfers permitted pursuant to Section 604 of the Agreement); or
- (b) in the event of a default by the Owner under the Agreement, the Deed of Trust securing this Note, the Regulatory Agreement, or this Note, which has not been cured within the period of time set forth in those documents.
- (c) the Agency's purchase of the Property pursuant to Section 400 of the Agreement.

Failure to declare such amounts due shall not constitute a waiver on the part of the Agency to declare them due subsequently.

**4. Sale or Conveyance of the Property.** Notwithstanding the provisions of Section 3, if the Property is sold or transferred by Owner to a Buyer and/or Transferee who is approved by the Agency pursuant to Section 604 of the Agreement, then the Note Amount together with accrued simple interest thereon, if any, is immediately due and payable or, Buyer and/or Transferee may, with the express written consent of the Agency in its sole and reasonable discretion, fully assume this Note and the Deed of Trust.

**5. Security.** This Note is secured by a Deed of Trust dated the same date as this Note.

**6. Waivers**

- (a) Owner expressly agrees that this Note or any payment hereunder may be extended from time to time at the Agency's sole discretion and that the Agency may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Owner.
- (b) No extension of time for payment of this Note made by agreement by the Agency with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Owner under this Note, either in whole or in part.

- (c) The obligations of Owner under this Note shall be absolute and Owner waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

**7. Attorneys' Fees and Costs.** Owner agrees that if any amounts due under this Note are not paid when due, Owner shall pay in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

**8. Joint and Several Obligation.** This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

**9. Deed of Trust Acceleration.** The Deed of Trust and the Agreement provide for acceleration of the payments due under this Note in the event of default under the Deed of Trust or Agreement.

**10. Amendments and Modifications.** This Note may not be changed orally, but only by an amendment in writing signed by Owner and by the Agency.

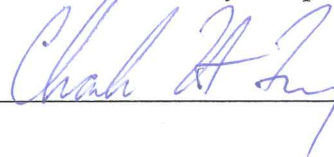
**11. Agency May Assign.** Agency may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Owner.

**12. Owner Assignment Prohibited.** Except in connection with transfers permitted pursuant to Section 604 of the Agreement, in no event shall Owner assign or transfer any portion of this Note without the prior express written consent of the Agency, which consent may be given or withheld in the Agency's sole discretion.

**13. Terms.** Any terms not separately defined herein shall have the same meanings as set forth in the Agreement.

**TAMERLANE ASSOCIATES, LLC,**  
a California limited liability company

By: \_\_\_\_\_



RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Garden Grove Agency for  
Community Development  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: Director of Economic Development

257755

4089

Recorded in Official Records, Orange County  
Tom Daly, Clerk-Recorder



NO FEE

2010000131401 02:21pm 03/19/10

66 406 D11 A36 14

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This document is exempt from the payment of a recording  
fee pursuant to Government Code Section 6103.

## DEED OF TRUST AND ASSIGNMENT OF RENTS

This **DEED OF TRUST AND ASSIGNMENT OF RENTS** is made as of the 9th day of February, 2010, by and among **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Trustor"), whose address is 14 Corporate Plaza, Suite 100, Newport Beach, California 92660, **ALLIANCE TITLE COMPANY** (the "Trustee"), whose address is 18831 Von Karman, Suite 380, Irvine, California 92612, and the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Beneficiary"), whose address is 11222 Acacia Parkway, P.O. Box 3070, Garden Grove, California 92842.

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, the property located in the City of Garden Grove, County of Orange, State of California, that is described in Attachment No. 1, attached hereto and by this reference incorporated herein (the "Property");

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively, the "rents"), provided that so long as Trustor is not in default hereunder, it shall be permitted to collect rents and operate the Property in accordance with the requirements of that certain Affordable Housing Loan Agreement entered into between Trustor and the Beneficiary as of February 9, 2010 (the "Agreement"), which Agreement is on file with the Beneficiary as a public record and is incorporated by reference herein;

TOGETHER WITH all interests, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the rents;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, including, without limiting the generality of the foregoing, all tenements, hereditaments and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements now or hereafter erected thereon, and all property of the Trustor now or hereafter affixed to or placed upon the Property, including, without limitation, all fixtures, attachments, appliances, furnishings, equipment and

machinery (whether fixed or movable) and other articles (including, in each instance, improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor);

TOGETHER WITH all leasehold estate, right, title and interest of Trustor in and to all leases or subleases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Trustor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all right, title and interest of Trustor in and to all options to purchase or lease the Property or any portion thereof or interest therein, and any greater estate in the Property owned or hereafter acquired;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Property;

TOGETHER WITH all the estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages;

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

FOR THE PURPOSE OF SECURING:

1. Repayment of the Agency Loan of Nine Hundred Eighty Thousand, Six Hundred Forty-Nine Dollars (\$980,649), payable pursuant to the Promissory Note.
2. Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period and upon fifteen (15) business days notice to the Trustor, with interest thereon as provided herein;
3. Payment of such additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, by Beneficiary, when evidenced by a promissory note or notes or other documents reciting that they are secured by this Deed of Trust; and
4. Performance of every material obligation, covenant or agreement of Trustor contained herein or in the Promissory Note or the Agreement (and any amendments thereto).



## ARTICLE I

### DEFINITIONS

1. "Agreement" means that Affordable Housing Loan Agreement entered into by and among Trustor and the Beneficiary hereof, dated as of February 9, 2010, said Agreement (a copy of which is on file with the Beneficiary at the address stated above, and including all of its attachments) is incorporated herein by reference.
2. The term "Expiration Date" means the date upon which the Agency Loan amount due pursuant to the Promissory Note (if any), has been paid in full, and all other obligations the performance of which is secured by this Deed of Trust have been satisfied.
3. "Mortgage" means any permanent or long-term loan (other than a loan by an entity related to or controlled by the Trustor), or any other financing device (including without limitation deeds of trust) the proceeds of which were used by Trustor to acquire the Property, which loan is secured by a security interest in the Property;
4. "Promissory Note" collectively means the Promissory Note of even date herewith from Trustor in favor of Beneficiary evidencing Trustor's obligation to repay the Agency Loan.
5. "Property" means the real property referred to in Attachment No. 1 attached hereto.
6. "Security" means the Property and all appurtenant improvements.
7. "Standards" means those standards of rehabilitation and operation required by the Agreement and in accordance with the Federal Housing Quality Standards, 24 CFR § 982.401.
8. "Trustor" means Tamerlane Associates, LLC, a California limited liability company, and each of its transferees and successors in interest. Where an obligation is created herein binding upon Trustor, the obligation shall be joint and several and shall also apply to and bind any transferees or successors in interest. Where the terms of the Deed of Trust have the effect of creating an obligation of the Trustor and a transferee, such obligation shall be deemed to be a joint and several obligation of the Trustor and such transferee.

Unless the context clearly otherwise requires, any capitalized term used herein and not defined herein shall have the meaning given to it under the Agreement (and any amendments thereto).

## ARTICLE II

### MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY; RELEASE UPON PAYMENT

Section 2.1 Maintenance and Modification of the Property by Trustor. The Trustor agrees that at all times prior to the Expiration Date, the Trustor will, at the Trustor's own expense, maintain, preserve and keep the Property or cause the Property to be maintained, preserved and kept in a condition conforming to the Standards and with only those uses allowed by the Agreement. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals

deemed proper and necessary by it. The Beneficiary shall have no responsibility in any of these matters or for the making of improvements or additions to the Property.

Trustor agrees to pay fully and discharge (or cause to be paid fully and discharged) all claims for labor done and for material and services furnished in connection with the Security, diligently to file or procure the filing of a valid notice of completion upon completion of construction of any part of the Security, diligently file or procure the filing of a notice of cessation upon the event of a cessation of labor on the work or construction on the Security for a continuous period of thirty (30) days or more, and to take all other reasonable steps to forestall the assertion of claims of lien against the Security or any part thereof.

Section 2.2 Release of Security. Upon its receipt of the repayment of all amounts due under the Promissory Note, and all amounts secured by this Deed of Trust, and provided that the Trustor is not in default under the Agreement, the Beneficiary shall, upon the request of the Trustor, deliver to the Trustor such instruments as are reasonably necessary to confirm the release of the Security from the lien of this Deed of Trust.

### ARTICLE III

#### TAXES AND INSURANCE; ADVANCES

Section 3.1 Taxes, Other Governmental Charges and Utility Charges. Trustor shall pay, or cause to be paid prior to delinquency, all taxes, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security or any part thereof; provided, however, that Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any liabilities contested pursuant to this Section 3.1 in accordance with generally accepted accounting principles.

In the event that Trustor shall fail to pay any of the foregoing items required by this Section to be paid by Trustor, Beneficiary may (but shall be under no obligation to) pay the same, after the Beneficiary has notified the Trustor of such failure to pay and the Trustor fails to fully pay any such item within seven (7) business days of the earlier of the receipt or mailing of such notice. Any amount so advanced therefor by Beneficiary, together with interest thereon from the date of such advance at the maximum rate permitted by the law of the State of California, shall become an additional obligation of Trustor to the Beneficiary and shall be secured hereby, and Trustor hereby agrees to pay all such amounts.

Section 3.2 Provisions Respecting Insurance.

(a) Trustor agrees to provide insurance for the Security of the kind and in the amounts required by the Agreement.

(b) All such insurance policies and coverages (i) shall be maintained at Trustor's sole cost and expense so long as any part of the amounts secured by this Deed of Trust have not been paid, (ii) shall be with insurers of recognized responsibility, and in form and substance satisfactory to the Beneficiary, (iii) shall name Beneficiary as additional insured, and (iv) shall contain a provision to the effect that the insurer shall not cancel the policy or modify it materially and adversely to the

interests of Beneficiary without first giving at least thirty (30) days' prior written notice thereof. Certificates of insurance for all of the above insurance policies, showing the same to be in full force and effect, shall be delivered to the Beneficiary upon demand therefor at any time prior to the Expiration Date.

Section 3.3 Advances. In the event the Trustor shall fail to maintain the full insurance coverage required by this Deed of Trust or shall fail to keep the Property in good repair and operating condition, the Beneficiary may (but shall be under no obligation to) take out the required policies of insurance and pay the premium on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and, provided that the Beneficiary provides ten (10) business days' notice to the Trustor all amounts so advanced therefor by the Beneficiary shall become an additional obligation of the Trustor to the Beneficiary (together with interest as set forth below) and shall be secured hereby, which amounts the Trustor agrees to pay on demand of the Beneficiary, and if not so paid, shall bear interest from the date of the advance at the maximum rate permitted by the law of the State of California.

#### ARTICLE IV

##### DAMAGE, DESTRUCTION OR CONDEMNATION

Section 4.1 Damage and Destruction. If, prior to the Expiration Date, the Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, the Trustor shall if feasible (a) cause any insurance proceeds arising from insurance referred to in Section 3.2 hereof and any other coverage acquired by the Trustor to be used to promptly rebuild and replace the Property, and (b) repair and replace the Property as necessary to bring the Property into conformity with the Standards; provided that such covenants shall be subordinate to the provisions of all senior obligations to which this Deed of Trust is subordinate. There shall be no abatement in, and Trustor shall be obligated to continue to pay, the amounts payable under the Promissory Note and this Deed of Trust.

Section 4.2 Condemnation. Subject to the provisions of senior obligations to which this Deed of Trust is subordinate, if title to or any interest in or the temporary use of the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, including any proceeding or purchase in lieu thereof, the proceeds as a result of such taking shall be paid as provided by the law of the State of California.

#### ARTICLE V

##### REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE TRUSTOR

Section 5.1 Defense of the Title. The Trustor covenants that it is lawfully seized and possessed of title in fee simple to the Property, that it has good right to sell, convey or otherwise transfer or encumber the same, and that the Trustor, for itself and its successors and assigns, warrants and will forever defend the right and title to the foregoing described and conveyed property unto the Beneficiary, its successors and assigns, against the claims of all persons whomsoever, excepting only encumbrances approved by the Beneficiary.

Section 5.2 Inspection of the Property. The Trustor covenants and agrees that at any and all reasonable times and upon reasonable notice, the Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, without payment of charges or fees, to inspect the Property.

## ARTICLE VI

### AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES; PAYMENT OF THE NOTE AMOUNT

Section 6.1 Other Agreements Affecting Property. The Trustor shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under the Agreement or any other agreement of any nature whatsoever now or hereafter involving or affecting the Property or any part thereof.

Section 6.2 Further Assurances; After Acquired Property. At any time, and from time to time, upon request by the Beneficiary, the Trustor shall make, execute and deliver, or cause to be made, executed and delivered, to the Beneficiary and, where appropriate, cause to be recorded and/or filed, and from time to time thereafter to be recorded and/or filed, at such time and in such offices and places as shall be deemed desirable by the Beneficiary, any and all such other and further deeds of trust, security agreements, financing statements respecting personal property, instruments of further assurance, certificates and other documents as may, in the opinion of the Beneficiary, be necessary or desirable in order to effectuate, complete or perfect, or to continue and preserve, (a) the obligations of the Trustor under this Deed of Trust, and (b) the lien of this Deed of Trust as a lien prior to all liens except those obligations which shall be senior obligations pursuant to the provisions of this Deed of Trust. Upon any failure by the Trustor to do so, the Beneficiary may make, execute, record, file re-record and/or refile any and all such deeds of trust, security agreements, instruments, certificates and documents for and in the name of the Trustor, and the Trustor hereby irrevocably appoints the Beneficiary the agent and attorney-in-fact of the Trustor to do so. The lien hereof shall automatically attach, without further act, to all after-acquired property deemed to be part of the Security as defined herein.

Section 6.3 Agreement to Pay Attorney's Fees and Expenses. In the event of an Event of Default hereunder, and if the Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of the Trustor in this Deed of Trust, the Trustor agrees that it will, on demand therefor, pay to the Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Beneficiary; and any such amounts paid by the Beneficiary shall be added to the indebtedness secured by the lien of this Deed of Trust, and shall bear interest from the date such expenses are incurred at the maximum rate permitted by the law of the State of California.

Section 6.4 Repayment of the Agency Loan. The Trustor shall repay to the Beneficiary the Agency Loan in the amount and by the time set out in the Promissory Note.

Section 6.5 Subrogation; Payment of Claims. Provided that the Beneficiary gives notice of at least five (5) business days to the Trustor, the Beneficiary shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid by the Beneficiary pursuant to the provisions hereof. If permitted in a Mortgage, the Beneficiary shall have the right to pay and discharge the obligations secured by the Mortgage.

Section 6.6 Operation of the Property. The Trustor agrees and covenants to operate the Property (and, in case of a transfer of the Property, the transferee shall operate the Property) in full compliance with the Agreement.

Section 6.7 Transfer. No sale, transfer, lease, pledge, encumbrance, creation of a security interest in or other hypothecation of the Security shall relieve or release the Trustor from primary liability under this Deed of Trust or the Agreement, as the case may be, except in connection with transfers permitted pursuant to Section 604 of the Agreement provided that the Transferee fully assumes the Agreement and this Deed of Trust.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default Defined. The occurrence of any failure of the Trustor to pay the Promissory Note or to perform under this Deed of Trust, and the continuation of said failure for a period of thirty (30) business days as to monetary obligations and sixty (60) business days as to non-monetary obligations, after written notice specifying such failure and requesting that it be remedied shall have been given to Trustor from the Beneficiary, shall be an "Event of Default" or a "Default" under this Deed of Trust.

Section 7.2 Acceleration of Maturity. If an Event of Default shall have occurred and be continuing, then the entire indebtedness secured hereby shall, at the option of the Beneficiary, immediately become due and payable without notice or demand which are hereby expressly waived, and no omission on the part of the Beneficiary to exercise such option when entitled to do so shall be construed as a waiver of such right.

Section 7.3 The Beneficiary's Right to Enter and Take Possession. If an Event of Default shall have occurred and be continuing, the Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Property and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the Security hereof and, with or without taking possession of the Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys' fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof, as aforesaid, shall not cure or waive any Default or notice of Default hereunder or invalidate any act done in response to such Default or pursuant to such notice of Default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of rents, issues or profits, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust, the Agreement or by law upon occurrence of any Event of Default, including the right to exercise the power of sale. Trustor requests that a copy of any Notice of Default and a copy of any Notice of Sale hereunder be mailed to Trustor if at its address given herein;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County in which the Property is located; or

(d) Exercise all other rights and remedies provided herein, in the instruments by which the Trustor acquires title to the Property, including any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

Section 7.4 Foreclosure By Power of Sale. Should the Beneficiary elect to foreclose by exercise of the power of sale herein contained, the Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust (and the deposit of which shall be deemed to constitute evidence that the amount of the Promissory Note is immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

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

(b) After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of: (i) the Promissory Note; (ii) all other sums then secured hereby; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

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

Section 7.5 Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under Security, and without regard to the then value of the Property or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment. Any such receiver or receivers shall have all the powers and duties of receivers in like or similar cases, and all

the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated.

Section 7.6 Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.7 No Waiver.

(a) No delay or omission of the Beneficiary to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy, or shall be construed to be a waiver of any such Default or acquiescence therein; and every right, power and remedy given by this Deed of Trust to the Beneficiary may be exercised from time to time and as often as may be deemed expeditious by the Beneficiary. No consent or waiver, expressed or implied, by the Beneficiary to or of any breach by the Trustor in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of obligations of the Trustor hereunder. Failure on the part of the Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Beneficiary of its right hereunder or impair any rights, powers or remedies consequent on any breach or Default by the Trustor.

(b) If the Beneficiary (i) grants forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security or the payment of any sums secured hereby, (iii) waives or does not exercise any right granted herein, or in the Agreement, (iv) releases any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions or agreements of this Deed of Trust or the Agreement, (v) consents to the filing of any map, plat or replat affecting the Security, (vi) consents to the granting of any easement or other right affecting the Security, or (vii) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under this Deed of Trust, or any other obligation of the Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety or guarantor (unless expressly released); nor shall any such act or omission preclude the Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in the event of any Default then made or of any subsequent Default, nor, except as otherwise expressly provided in an instrument or instruments executed by the Beneficiary shall the lien of this Deed of Trust be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, the Beneficiary, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Security (or a part thereof) or the indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the Trustor and without in any way releasing or discharging any liabilities, obligations or undertakings of the Trustor.

Section 7.8 Suits to Protect the Security. The Beneficiary shall have power (upon ninety (90) days notice to the Trustor) to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security (and the rights of the Beneficiary as secured by this Deed of Trust) by any acts which may be unlawful or any violation of this Deed of

Trust, (b) preserve or protect its interest (as described in this Deed of Trust) in the Security and in the rents, issues, profits and revenues arising therefrom, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule or order would impair the security thereunder or be prejudicial to the interests of the Beneficiary.

Section 7.9 Trustee May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Trustor, its creditors or its property, the Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Beneficiary allowed in such proceedings for the entire amount due and payable by the Trustor under this Deed of Trust at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Trustor hereunder after such date.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.1 Amendments. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

Section 8.2 Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey to Trustor, or to the person or persons legally entitled thereto, without warranty, any portion of the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or person legally entitled thereto."

Section 8.3 Notices. Whenever Beneficiary, Trustor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request, or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail, postage prepaid, return receipts requested, or by telegram, addressed to the address set forth in the first paragraph of this Deed of Trust. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

Section 8.4 Acceptance by Trustee. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

Section 8.5 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 8.6 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain



binding and enforceable. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

Section 8.7 No Merger. If title to the Property shall become vested in the Beneficiary, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Beneficiary shall continue to have and enjoy all of the rights and privileges of Beneficiary under this Deed of Trust. In addition, upon foreclosure under this Deed of Trust pursuant to the provisions hereof, any leases or subleases then existing and affecting all or any portion of the Security shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at any such foreclosure shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice of termination to such tenant or subtenant.

Section 8.8 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California.

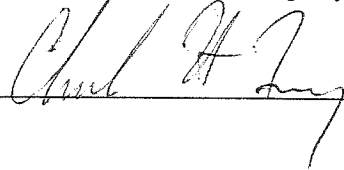
Section 8.9 Gender and Number. In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires.

Section 8.10 Nondisturbance Agreement. In the event of any foreclosure of this Deed of Trust or a transfer in lieu of foreclosure, Beneficiary or other transferee shall recognize and not disturb the possession, tenancy, leasehold estate and rights of all tenants and occupants of the Property or any portion thereof, and shall honor and abide by all of the terms, covenants and conditions of each lease for the remaining balance of the term or extension thereof with the same force and effect as if Beneficiary or such other transferee were the original lessor under the lease; provided, however, that the tenant is not in default under its lease and Beneficiary or such other transferee shall not be (a) liable for any damage, loss or expense arising from any act or omission of any prior lessor (including Trustor) under any lease, (b) subject to any offsets, abatements, rent reductions or defenses which the tenant may be entitled to assert against any prior lessor (including Trustor) under any lease, or (c) liable or responsible for or with respect to the retention, application and/or return to the tenant of any security deposit paid to any prior lessor (including Trustor) under any lease, whether or not still held by any prior lessor (including Trustor), unless and until Beneficiary or such other transferee has actually received for its own account as lessor under the lease the full amount of such security deposit or a credit therefor. Each tenant and occupant of the Property shall, upon any foreclosure of this Deed of Trust or transfer in lieu of foreclosure, be bound to Beneficiary or such other transferee under all of the terms, covenants and conditions of the tenant's lease for the remaining balance of the term thereof or extension thereof, with the same force and effect as if Beneficiary or such other transferee were the original lessor under such lease, and the tenant shall attorn to Beneficiary or such other transferee as its lessor, such attornment to be effective and self-operative without the execution of any further instruments by either party, immediately upon the tenant's receipt of written notice from Beneficiary or such other transferee or from Trustor that title to the Property has vested in Beneficiary or such other transferee. Rent paid by a tenant or

occupant to the transferee after receipt of such notice shall be considered to be rental payment under the lease.

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

**TAMERLANE ASSOCIATES, LLC,**  
a California limited liability company

By: 

**ATTACHMENT NO. 1**

**LEGAL DESCRIPTION**

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

Lot 10 of Tract No. 3050, as shown on a Map recorded in Book 92, Page 31 and 32 of Miscellaneous Maps, records of Orange County, State of California.

APN: 231-471-35



RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Garden Grove Agency for  
Community Development  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: Director of Economic Development

257758

Recorded in Official Records, Orange County  
Tom Daly, Clerk-Recorder



NO FEE

2010000131399 02:21pm 03/19/10

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This document is exempt from the payment of a recording  
fee pursuant to Government Code Section 27383.

## REGULATORY AGREEMENT

This **REGULATORY AGREEMENT** (the "Agreement") is entered into as of February 9, 2010, by and between the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Agency"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

### *RECITALS*

A. Owner has acquired real property located within the City of Garden Grove, located at 12172 Tamerlane Drive, which is improved with a six (6) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Attachment No. 1, and incorporated herein by reference.

B. The Owner and the Agency have entered into an Affordable Housing Loan Agreement, dated February 9, 2010, pursuant to which the Agency has agreed to provide financial assistance to Owner to acquire the Property (the "Agency Loan"), and the Owner has agreed to Acquire, Rehabilitate and Operate the Property with the assistance of the Agency Loan. The execution and recordation of this Regulatory Agreement is a requirement of the Affordable Housing Loan Agreement. Capitalized terms not defined herein shall have the meaning set forth in the Affordable Housing Loan Agreement.

**NOW, THEREFORE**, the parties hereto agree as follows:

### **100. CONDITION OF THE PROPERTY**

**101. Indemnification.** Owner shall save, protect, pay for, defend, indemnify and hold harmless the Agency and City and their respective elected officials, consultants, attorneys, officers, employees, representatives and agents, from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by the Agency and City or their respective elected officials, consultants, attorneys, officers, employees, representatives or agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of the presence on or under, or the escape, seepage, leakage,

spillage, discharge, emission or release from the Property of any Hazardous Materials or Hazardous Materials Contamination, which is caused by Owner, or its agents, employees, representatives, agents, contractors or invitees.

**102. Release.** The Owner hereby waives, releases and discharges forever the Agency and City and their respective elected officials, consultants, attorneys, officers, employees, representatives and agents, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the Agency's or the Owner's use, maintenance, ownership or operation of the Property, any Hazardous Materials on the Property, or the existence of Hazardous Materials Contamination in any state on the Property, however they came to be placed there, except that arising out of the negligence or misconduct of the Agency and City or their respective elected officials, consultants, attorneys, officers, employees, representatives and agents.

The Owner acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

As such relates to this Section 102, the Owner hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

**103. Duty to Prevent Hazardous Material Contamination.** During its ownership operation of the Property, the Owner shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Owner shall notify the Agency, and provide to the Agency a copy or copies, of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Owner shall report to the Agency, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

**104. Definitions.** For purposes of this Article 100, “Governmental Requirements” shall mean all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the Agency, or any other political subdivision in which the Property is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the Agency, the Owner or the Property.

For purposes of this Article 100, “Hazardous Materials” means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a

“hazardous material,” “hazardous substance,” or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (x) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, *et seq.* (42 U.S.C. §6903) or (xi) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.* Hazardous Materials shall not include such products in quantities as are customarily used in the construction, maintenance, or management of multifamily residential developments or associated buildings or grounds, or typically used in multifamily residential activities in a manner typical of comparable multifamily residential developments, or substances commonly and lawfully ingested by a significant population living within the Property, including without limitation alcohol, aspirin, tobacco and saccharine.

## **200. REHABILITATION OF THE PROPERTY**

**201. Rehabilitation of the Property.** Owner agrees to rehabilitate the Property in accordance with the Schedule of Performance which is attached to the AHA, the Federal Housing Quality Standards, 24 CFR § 982.401, the City Municipal Code, and all other applicable local codes, rehabilitation standards, ordinances and zoning ordinances, and the Work Write-up which is approved by the Agency pursuant to Section 203 hereof (the “Rehabilitate” or “Rehabilitation”). The Rehabilitation shall be conducted on a unit-by-unit basis and in such a manner so as to avoid or minimize tenant displacement to the greatest extent feasible in accordance with the provisions of Section 210.2 below. Owner shall submit to the Agency one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the Agency providing for the Rehabilitation of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall have provided to the Agency the certification required by 24 CFR § 24.510 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, and the Agency shall be responsible for determining whether each contractor has been debarred. The Agency Director (“Director”) or his designee shall reasonably approve such contract or contracts if the Director or his designee finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Rehabilitation of the Property in a first class manner in accordance with all of the requirements of this Agreement.

**202. Work Write-up.** Within thirty (30) days after the Effective Date of this Agreement, the Owner shall submit to the Agency detailed plans, materials and drawings describing the Rehabilitation of the Property (collectively, the “Work Write-up”), and the Agency shall have the right to review and approve or disapprove, in its reasonable discretion, the Work Write-up. During the preparation of the Work Write-up, staff of the Agency and the Owner shall hold shall communicate and consult informally as frequently as necessary to coordinate the preparation and review of the Work Write-up. If the Owner desires to propose any revisions to the Agency-approved Work Write-up, it shall submit such proposed changes to the Agency and the Agency shall review the proposed change and notify the Owner in writing within thirty (30) days after submission to the Agency as to whether the proposed change is approved or disapproved. The Agency shall not be responsible either to the Owner or to third parties in any way for any defects in the Work Write-up,

nor for any structural or other defects in any work done according to the approved Work Write-up, nor for any delays reasonably caused by the review and approval processes established by this Section 202. The Owner shall hold harmless, indemnify and defend the Agency and the City of Garden Grove and their respective officers, employees, agents and representatives from and against any claims, suits for damages to property or injuries to persons arising out of or in any way relating to defects in the Work Write-up, including without limitation the violation of any laws, and for defects in any work done according to the approved Work Write-up.

**203. Cost of Rehabilitation.** The cost of Rehabilitation shall be paid using funds allocated for Rehabilitation, as set forth in the Pro Forma attached hereto as Exhibit I and incorporated herein by reference, which estimates a cost of Fourteen Thousand, Six Hundred Four Dollars (\$14,604) per unit, in the total amount of Eighty-Seven Thousand, Six Hundred Twenty-Four Dollars (\$87,624) plus a contingency of Eight Thousand, Seven Hundred Sixty-Two Dollars (\$8,762) and a construction management fee payable to Owner of Eight Thousand, Seven Hundred Sixty-Two Dollars (\$8,762) (the "Rehabilitation Allocation"). In the event the Rehabilitation Allocation is insufficient to pay for the total cost of Rehabilitation, the Owner shall locate and utilize another funding source(s) for the remainder of such costs. The Owner shall submit to the Agency a final line item budget for any proposed Rehabilitation of the Property, which budget shall include without limitation a description of uses by phase and total cost of Rehabilitation. The Agency shall reasonably approve such budget if the budget is reasonably calculated to fund the Rehabilitation of the Property in accordance with Federal Housing Quality Standards and all of the requirements of this Agreement.

**204. Timing of Rehabilitation.** Owner hereby covenants and agrees to commence the Rehabilitation of the Property within the time set forth in the Schedule of Performance. The Owner further covenants and agrees to diligently prosecute to completion the Rehabilitation of the Property in accordance with the approved Work Write-up and to file a Notice of Completion pursuant to California Civil Code Section 3093 within the time set forth in the Schedule of Performance. Notwithstanding the Schedule of Performance, the deadlines for performance under this Agreement set forth therein may be extended if the completion of Rehabilitation according to the Schedule of Performance would displace a resident, unless the resident can be transferred to another unit on the Property, or by mutual written agreement of the parties.

**205. Agency and Other Governmental Agency Permits.** Before commencement of the Rehabilitation of the Property, the Owner shall secure or cause its contractor to secure any and all permits which may be required by the Agency or any other governmental agency affected by such construction, including without limitation building permits. The Owner shall pay all necessary fees and timely submit to the Agency final drawings with final corrections to obtain such permits.

**206. Right of the Agency to Satisfy Other Liens.** After the disbursement of the Agency Loan and prior to the completion of the Rehabilitation of the Property, and after the Owner has had written notice and has failed after a reasonable time, but in any event not less than forty-five (45) days, to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Property which are not otherwise permitted under this Agreement, the Agency shall have the right but no obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Owner shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance applicable to the Owner in respect thereto.



**207. Release of Construction Covenants.** Promptly after the completion of the Rehabilitation of the Property on the Property, in conformity with this Agreement (as reasonably determined by the Director or his or her designee), upon the written request of the Owner, the Agency shall furnish the Owner with a Release of Construction Covenants (in the form attached to the Affordable Housing Loan Agreement as Exhibit D) which evidences and determines the satisfactory completion of the Rehabilitation of the Property in accordance with this Agreement. The issuance and recordation of the Release of Construction Covenants with respect to the Property shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, or uses, or payment of monies, or any other obligations, except for the obligation to complete the Rehabilitation of the Property as of the time of the issuance of the Release of Construction Covenants.

**208. Insurance and Indemnity.**

**208.1 Commencement of Work.** Owner shall not commence work under this Agreement until all certificates and endorsements have been received and approved by Agency. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify Agency of any material change, cancellation, or termination at least thirty (30) days in advance.

**208.2 Workers Compensation.** For the duration of this Agreement, Owner and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. Coverage shall include a waiver of subrogation waiving subrogation rights against Agency, its officers, officials, agents, employees, and volunteers.

**208.3 Insurance Amounts.** The Owner shall take out and maintain or shall cause its contractor to take out and maintain during the term of the Affordability Period (as set fourth in Section 301 hereof) the following insurance coverage:

(a) Commercial general liability in the amount of \$4,000,000 per occurrence; Coverage shall have no exclusions for Excavation, Collapse, or Underground (XCU); (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to Agency and have a Best's Guide Rating of A-Class VII or better, as approved by Agency.

(b) Automobile liability in the amount of \$2,000,000 combined single limit, including mobile equipment, if any, and contractual liability; (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to Agency and have a Best's Guide Rating of A-Class VII or better, as approved by Agency.

(c) Commercial crime/theft in the amount of \$250,000. Insurance companies must be acceptable to Agency and have a Best's Guide Rating of A-Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

(d) In the event asbestos remediation is required during the Rehabilitation, Owner shall cause the general contractor and/or asbestos abatement subcontractor to secure, during such period, an asbestos policy in an amount not less than \$2,000,000 per occurrence. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

(e) Builder's All Risk in an amount equal to the replacement value of the property. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

(f) Excess Liability Policy in an amount not less than \$3,000,000 for any underlying policies that do not meet contractual policy limits. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by Agency. (Claims made and modified occurrence policies are not acceptable.)

An Additional Insured Endorsement, ongoing and completed operations, for the policy under Section 208.3(a) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the Owner. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency. (Forms CG 20 26 07 04 or equivalent and CG 20 37 07 04 or equivalent)

An Additional Insured Endorsement for the policy under Section 208.3(b) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, leased, hired, or borrowed by the Owner. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency. (Form CA 20 48 02 99 or equivalent for the auto mobile liability policy, and the mobile equipment coverage by separate endorsement.)

A Loss Payee Endorsement for the policy under Section 208.3(c) shall designate Agency as Loss Payee.

An Additional Insured Endorsement, asbestos policy, for the policy under Section 208.3(d) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency.

An Additional Insured Endorsement, builders' all risk policy, for the policy under Section 208.3(e) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency.

An Additional Insured Endorsement, excess liability policy, for the policy under Section 208.3(f) shall designate Agency, City, and their officers, officials, employees, agents, and volunteers as additional insureds. Contractor shall also provide the schedule of underlying policies and state on the insurance certificate that the excess policy follows from Owner shall provide to Agency proof of insurance and endorsement forms that conform to Agency's requirements, as approved by Agency.

A waiver of subrogation for all policies shall be provided against the Agency, City, and their officers, officials, agents, employees, and volunteers.

For any claims related to this Agreement, Owner's insurance coverage shall be primary insurance as respects Agency, its officers, officials, employees, agents, and volunteers. Any

insurance or self-insurance maintained by Agency, its officers, officials, employees, agents, or volunteers shall by excess of the Owner's insurance and shall not contribute with it.

**209. Entry by the Agency.** Owner shall permit the Agency, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the work of Rehabilitation to determine that the same is in conformity with the Work Write-up and all the requirements hereof. Owner acknowledges that the Agency is under no obligation to supervise, inspect, or inform Owner of the progress of construction, and Owner shall not rely upon the Agency or Agency therefor. Any inspection by the Agency is entirely for its purposes in determining whether Owner is in default under this Agreement and is not for the purpose of determining or informing Owner of the quality or suitability of construction. Owner shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

**210. Compliance With Laws.** The Owner shall carry out the acquisition, Rehabilitation, if applicable, and operation of the Property in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

**210.1 Taxes and Assessments.** The Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Owner's right to contest in good faith any such taxes or to receive an exemption from the payment of such taxes.

**210.2 Relocation.** Owner shall conduct and submit to the Agency a tenant survey, completed by each tenant household currently residing in the Property and such other information as reasonably required by Agency necessary to evaluate the relocation obligations, if any, required by federal, state and/or local law with respect to the Owner's acquisition and Rehabilitation of the Property. The acquisition and Rehabilitation, if applicable, shall be conducted in such a manner as to prevent, to the maximum extent feasible, any displacement of existing tenants in accordance with applicable law. The Owner and the Agency shall attempt to obtain Section 8 certificates or other housing subsidies as necessary to provide relocation assistance to the existing tenants of the Property who are not participants in the Owner's program (as hereinafter described). Immediately after the execution of this Agreement, the Agency and Owner shall cooperate in sending notices (the "Lease Notice") to the existing tenants of the Property notifying and advising such tenants of their right to lease and occupy a unit in the Property, for reasonable terms and conditions, including, but not limited to: (i) term of lease not less than one year, (ii) monthly rent and estimated average utility costs that do not exceed the greater of: (a) the tenant's monthly rent before this Agreement and estimated average monthly utility costs; or (b) Rent calculated pursuant to HOME Program requirements if the tenant is low income, or 30% of gross income if the tenant is not low income. In addition, if any existing tenant is required to move temporarily from the Property and will not be permanently displaced, such tenant(s) will receive temporary relocation assistance and benefits set forth in HOME Regulations Section 92.353(b). The form of such notice shall be approved by the Agency prior to its delivery to the tenants. The Owner shall enter into a written lease, in a form approved by the Agency, with each tenant that shall implement the monthly rent limit set forth in the Lease Notice. In the event that any permanent displacement of tenants of the Property occurs, the

Agency shall provide relocation assistance in accordance with the HOME Regulations Section 92.353, Federal Uniform Relocation Assistance and Real Property Policies Acquisition Act, 42 U.S.C. § 4601, *et seq.*, the California Relocation Assistance Law, Government Code Section 7260, *et seq.*, and the regulations adopted pursuant thereto by the United States, State of California and the Agency (collectively, the "Relocation Laws"), and in a manner approved by the Agency to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the Owner's acquisition of the Property or for purposes of completing the Rehabilitation of the Property. In the event of permanent displacement of existing tenants due to the implementation of this Agreement, despite the Owner's efforts to prevent such displacement as provided above, the Agency shall be fully responsible for administering determinations of eligibility and payments pursuant to the Relocation Laws. The Agency shall bear the cost of such relocation.

**210.3 Liens and Stop Notices.** The Owner shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Owner shall within thirty (30) days of such recording or service or within five (5) days of the Agency's demand, whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the Agency a surety bond in sufficient form and amount, or otherwise; or provide the Agency with other assurance which the Agency deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of Agency from the effect of such lien or bonded stop notice.

**210.4 HOME Matching Contribution.** This Agreement and the Agency expenditures hereunder are intended to be a "Matching Contribution" as that term is used in the HOME Investment Partnership Act, 42 U.S.C. § 12701, *et seq.*, as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations, as they now exist and as they may hereafter be amended (the "HOME Program"). Accordingly, the Owner shall comply with all applicable requirements of the HOME Program, as it now exists or may hereafter be amended. Specifically, without limitation, the Rehabilitation shall comply, to the extent applicable, with the requirements of the Davis-Bacon Act (40 U.S.C. §276a - 276a-5), and as applicable, the Contract Work Hours and Safety Standards Act (40 U.S.C. §3701 *et seq.*), and other applicable federal laws and regulations pertaining to labor standards. Upon request, the Agency shall provide to the Owner a copy of applicable HOME Program requirements.

**210.5 CRL Requirements.** The Agency Loan will be provided from Set Aside Funds. Health & Safety Code Section 33449 allows the funds to be used to provide housing to "persons and families of low or moderate income" and "very low income households," as defined in Sections 50093 and 50105 of the Health and Safety Code. The Owner agrees, pursuant to Section 301 below, that each of the six (6) Units on the Property will be provided to persons, families, or households whose incomes do not exceed sixty percent (60%) of the area median income in Orange County, adjusted for household size ("AMI"), at an Affordable Rent for the entire Affordability Period. Owner also agrees to comply with each and every requirement of the CRL, including but not limited to the covenants against discrimination set forth in Section 311, below and the Notice of Affordability Restrictions.

**210.6 Prevailing Wage Requirements.** The Agency and Owner believe that the California prevailing wage laws are not implicated by this Agreement and the Rehabilitation work to be performed hereunder because the project meets the requirements of Section 1720(c)(6)(E) of the Labor Code which exempts from the prevailing wage laws affordable housing projects receiving

public funding in the form of below-market interest rate loans for a project in which occupancy of at least forty percent (40%) of the units is restricted for at least twenty (20) years, by deed or regulatory agreement, to individuals or families earning no more than eighty percent (80%) of AMI. Notwithstanding the immediately preceding sentence, Owner hereby expressly acknowledges and agrees that the Agency has not previously affirmatively represented to the Owner or its contractor(s), if any, for the Rehabilitation of the Property, in writing or otherwise, that the Rehabilitation to be performed by Owner and covered by this Agreement is not a "public work," as defined in Section 1720 of the Labor Code.

**210.7 Agency Parking Programs and Requirements.** The Owner shall comply with all ordinances and other requirements or programs established by the Agency with respect to parking, including, without limitation, any ordinances, building code provisions or housing code provisions which require that the garages in the Property shall not be used for human habitation or commercial uses.

### **300. OPERATION OF HOUSING**

**301. Affordable Units.** The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the "Affordable Units"), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the "Operation" or "Operate").

For purposes of this Agreement, "Lower Income Households" shall mean those households with incomes that do not exceed sixty percent (60%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development ("HUD") or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time.

Upon the Owner's acquisition of the Property, and annually thereafter, the Owner shall submit to the Agency a completed income computation and certification form, in a form to be provided by the Agency. The Owner shall certify that each tenant leasing an Affordable Unit meets the income restrictions of this Section 301 and that tenant's rental agreement states rent is Affordable Rent per Health & Safety Code Section 50053 for Lower Income households. The Owner shall obtain an income certification from the tenant of each Affordable Unit which shall certify that the income of the tenant is truthfully set forth in the income certification form. The Owner shall verify the income certification of the tenant in one or more of the following methods:

- (1) obtain two (2) paycheck stubs from the tenant's two (2) most recent pay periods, if any.
- (2) obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed, if any.
- (3) obtain an income verification certification from the employer of the tenant, if any.
- (4) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, if any.

(5) obtain an alternate form of income verification reasonably requested by the Owner, if none of the above forms of verification is available to the Owner, if any.

Current tenants of the Property as of the date of this Agreement shall not be compelled to vacate their Units solely because their income exceeds the applicable requirements for renting an Affordable Unit. Any tenant who, because of an increase in income is no longer qualified to rent an Affordable Unit shall not be required to vacate the apartment unit solely because of such change of income, and shall be entitled to remain as a tenant of the same apartment unit at a rent which does not exceed the fair market rental value for such unit.

The Property shall be subject to the requirements of this Article 300 from the date of Owner's acquisition of the Property until the fifty fifth (55th) anniversary of such date. The duration of this requirement shall be known as the "Affordability Period."

**302. Affordable Rent.** The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the Agency in accordance with the following "Affordable Rent" requirements.

Four (4) of the Affordable Units shall be "Floating Home Units" rented to Lower Income Households at "maximum HOME Rent limits" each as defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit, less the monthly allowance for utilities and services to be paid by each tenant ("Affordable Rent"). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed thirty percent (30%) of the family's adjusted income not to exceed fair market rental value for such Unit.

For purposes of this Agreement, "Monthly Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Owner.

**303. Lease Requirements.** Prior to disbursement of the Agency Loan, the Owner shall submit a standard lease form to the Agency for the Agency's approval. The Agency shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code sections 33000 *et seq.* ("CRL") and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the Agency, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to Section 92.253 of the HOME Regulations.

**304. Affirmative Marketing.** The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the Agency and

the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

**305. Selection of Tenants.** Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The Agency may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the Agency in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME Program, Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

**306. Occupancy Standards.** Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

**307. Maintenance.** The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the Agency with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the Agency with respect to landscaping and building improvements, then the Agency, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the Agency and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the Agency, as appropriate, upon demand.

**308. Reserve Requirements.** The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner's acquisition of the Property, the sum of Twenty-Seven Thousand Dollars (\$27,000) (the "Operating Reserve"), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the Agency of compliance herewith.

Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the "Capital Replacement Reserve"). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner's acquisition of the Property, after which time the Owner shall continue making monthly deposits of the greater of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the Agency an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement and irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement, and common area repainting.

In the event that Owner provides evidence reasonably satisfactory to Agency that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the Agency shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

**309. Long Term Management of the Property.** The parties acknowledge that the Agency is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the "Property Manager"). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the Agency may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the Agency determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the Agency shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 401 hereof, the Agency shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the Agency, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.



In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the Agency a "Management Plan" which sets forth in detail the Owner's property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the Agency.

Until the Agency Loan has been fully repaid, the Owner shall annually submit to the Agency for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the Agency. The Owner shall annually provide to the Agency a detailed accounting of operating expenses and shall make its books and records available to the Agency for inspection and copying, upon reasonable advance notice during its normal hours of business.

**310. Monitoring and Recordkeeping.** Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and shall annually complete and submit to Agency a Certification of Continuing Program Compliance in the form provided by the Agency. Representatives of the Agency shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to the HOME Program compliance, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the Agency in making the Property available for such inspection or audit. If for any reason the Agency is unable to obtain the Owner's consent to such an inspection or audit, the Owner understands and agrees that the Agency may obtain at Owner's expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

**311. Non-Discrimination Covenants.** Owner covenants by and for itself, its successors 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. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof, shall contain or be subject to substantially the following non-discrimination or non-segregation 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 premises which are the subject of this Agreement, 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.”

Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency and its successors and assigns, and shall remain in effect in perpetuity.

**312. Subordination.** This Agreement shall run with the land and shall be subordinate to the Bank Loan approved by the Agency pursuant to Section 211 of the Affordable Housing Loan Agreement, provided that the Agency finds that an economically feasible method of financing for the acquisition and operation of the Property, without the subordination of the covenants as may be set forth in this Agreement and the Affordable Housing Loan Agreement, is not reasonably available. Upon making such a finding, the Director (or designee) is hereby authorized to execute such subordination agreements and/or such other documents as may be necessary to evidence such subordination, provided that such subordination agreements contain written commitments which the Director (or designee) finds are reasonably designed to protect the Agency’s investment in the event of default, such as any of the following: (a) a right of the Agency to cure a default on the loan prior

to foreclosure, (b) a right of the Agency to negotiate with the lender after notice of default from the lender and prior to foreclosure, (c) an agreement that if prior to foreclosure of the loan, the Agency takes title to the Property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to the Agency, and (d) a right of the Agency to purchase the Property from the Owner at any time after a default on the loan.

#### **400. DEFAULT AND REMEDIES**

**401. Events of Default.** A failure by any party to perform any action or covenant required by this Agreement, the Regulatory Agreement, the Promissory Note, the Deed of Trust, or any loan or deed of trust for the Property which is senior to the Agency Loan, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" under this Agreement. A party claiming a Default shall give written notice of Default to the other parties specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within thirty (30) days from receipt of such notice of such Default hereunder. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Owner is in default on any loan or deed of trust senior to the Agency Loan, the Owner shall immediately deliver to the Agency a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the Agency shall each have the right (but not be obligated to) cure such default. In such event, the Agency shall be entitled to reimbursement from the Owner of all costs and expenses it has actually incurred in curing such default. The Agency shall be entitled to add the amount incurred by it to the amounts owing pursuant to the Promissory Note, and secured by the Deed of Trust.

**402. Remedies.** The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement, including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Owner will relieve the Agency of any obligation to perform hereunder.

**403. Force Majeure.** Subject to the party's compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be a default hereof, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other party, acts or failures to act of any public or governmental entity (except that the Agency's acts or failure to act shall not excuse performance of the Agency hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from

the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Inability to obtain financing for the acquisition or operation of the Property shall not constitute an event beyond the control of the Owner for purposes of this Section 403.

**404. Attorneys' Fees.** In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing party shall be entitled to recover from the other party its costs of suit and reasonable attorneys' fees.

**405. Remedies Cumulative.** No right, power, or remedy given to the Agency by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the Agency by the terms of any such instrument, or by any statute or otherwise against Owner and any other person.

**406. Waiver of Terms and Conditions.** The Agency may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

**407. Non-Liability of Agency Officials and Employees.** No member, official, employee or agent of the Agency shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the Agency or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

## **500. GENERAL PROVISIONS**

**501. Time.** Time is of the essence in this Agreement.

**502. Notices.** Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Owner: Tamerlane Associates, LLC  
14 Corporate Plaza, Suite 100  
Newport Beach, CA 92660  
Attn: Charles Fry

Agency: Garden Grove Agency for Community Development  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attn: Community Development Director

Such addresses may be changed by notice to the other party given in the same manner as provided above.

**503. Representations and Warranties of Owner.** Owner hereby represents and warrants to the Agency as follows:

(a) **Organization.** Owner is a duly organized, validly existing limited liability company in good standing under the laws of the State of California and has the power and authority to own property and conduct such business as now being conducted.

(b) **Authority of Owner.** Owner has full power and authority to execute and deliver this Agreement and to perform and observe the terms and provisions of this Agreement.

(c) **Valid Binding Agreement.** This Agreement and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Owner enforceable against it in accordance with their respective terms.

(d) **Pending Proceedings.** Owner is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Owner, threatened against or affecting Owner or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Owner, materially affect Owner's ability to perform its obligations hereunder.

(e) **Layering Review.** The Owner acknowledges that a layering review was performed in accordance with 24 CFR 92.250 (b). The Owner hereby represents and certifies to the Agency that no government assistance other than the Agency Loan and the Set Aside Funds, has been obtained or is contemplated to be obtained for the acquisition of the Property. The Owner agrees to notify the Agency in the event that it applies for or proposes to use other governmental funds for the Property prior to the end of the Affordability Period.

**504. Limitation Upon Change in Ownership, Management and Control of the Property.**

(a) **Prohibition.** The identity and qualifications of Owner as an experienced and successful operator of multifamily housing are of particular concern to the Agency. It is because of this identity and these qualifications that the Agency has entered into this Agreement with the Owner. No voluntary or involuntary successor in interest of the Owner shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Owner make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Property without the prior written approval of the Agency pursuant to Subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

(b) **Permitted Transfers.** Notwithstanding any other provision of this Agreement to the contrary, Agency approval of an assignment or transfer of this Agreement or conveyance of the Property or any part thereof pursuant to subparagraph (c) of this Section 504, shall not be required in connection with any of the following (the "Permitted Transfers"):

(i) Subject to the restrictions of Sections 301 through 312 of this Agreement, the lease of units within the Property to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by the Agency pursuant to Section 211 of the Affordable Housing Loan Agreement.

(iii) Assignment of this Agreement and the conveyance of the Property to family members or a trust for estate planning purposes, or transfer of this Agreement and the Property to an entity in which Owner owns not less than fifty percent (50%) of the beneficial interest in the Property, and is under the management and control of the Owner, and the transferee entity executes an agreement reasonably acceptable to the Agency assuming all of the obligations under this Agreement.

In the event of an assignment by Owner not requiring the Agency's prior approval, Owner nevertheless agrees that at least ten (10) days prior to such assignment or transfer it shall give written notice to Agency of such assignment or transfer.

(c) *Agency Consideration of Requested Transfer.* The Agency agrees that it will not unreasonably withhold approval of a request made pursuant to this Section, provided (a) the Owner delivers written notice to the Agency requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability with respect to the operation of similar types of multifamily rental property, and comparable net worth and resources as necessary to operate the Property, and (c) the proposed assignee or transferee assumes the obligations of the Owner under this Agreement in a form which is reasonably acceptable to the Agency. Such notice shall be accompanied by evidence regarding the proposed assignee's or purchaser's qualifications and experience and its financial commitments and resources sufficient to enable the Agency to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 504(c) and other criteria as reasonably determined by the Agency. The Agency shall approve or disapprove the request within thirty (30) days of its receipt of the Owner's notice and all information and materials required herein. In no event, however, shall the Agency be obligated to approve the assignment or transfer of the Agency Loan, Promissory Note or Deed of Trust pursuant to this Section 504, except to an approved transferee or assignee of the Owner's rights in and to the Property.

(d) *Successors and Assigns.* This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Owner and the permitted successors and assigns of the Owner. Whenever the term "Owner" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

**505. No Third Parties Benefited.** This Agreement is made and entered into for the protection and benefit of the Agency, its successors and assigns, and Owner, its permitted successors and assigns, and no other person or persons, except that the City and Housing authority shall be third party beneficiaries of this Agreement, including but not limited to the Affordability covenants and the covenants against discrimination contained in this Agreement and the Regulatory Agreement, and the Notice of Affordability Restrictions and shall have the right to enforce such covenants.

**506. Partial Invalidity.** If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

**507. Governing Law.** This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

**508. Amendment.** This Agreement may not be changed orally, but only by agreement in writing signed by Owner and the Agency.

**509. Approvals.** Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the Agency, such approval may be given on behalf of the Agency by the Director or his or her designee. The Director or his or her designee is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement on behalf of the Agency, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement, and amendments which do not substantially change the uses or restrictions hereunder, or substantially add to the costs of the Agency hereunder.





**ATTACHMENT NO. 1**

**LEGAL DESCRIPTION**

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

Lot 10 of Tract No. 3050, as shown on a Map recorded in Book 92, Page 31 and 32 of Miscellaneous Maps, records of Orange County, State of California.

APN: 231-471-35

STATE OF CALIFORNIA )

COUNTY OF Orange )

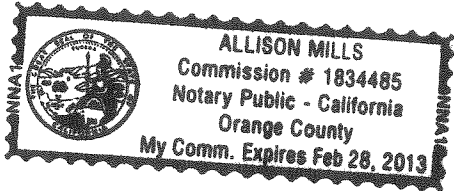
) ss.  
)  
)

On March 18, 2010, before me, Allison Mills, Notary Public,  
(Print Name of Notary Public)

personally appeared Matthew Fertal

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

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



WITNESS my hand and official seal.

Allison Mills

Signature of Notary Public

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

**DESCRIPTION OF ATTACHED DOCUMENT**

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signer(s) Other Than Named Above

ATTACHED TO REGULATORY AGREEMENT

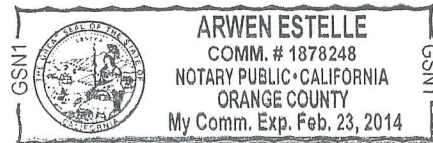
STATE OF CALIFORNIA            )  
  )  
COUNTY OF ORANGE            )

On March 18, 2010, before me, Arwen Estelle, Notary Public, personally appeared Charles H. Fry, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature 



(NOTARY SEAL)

Recorded in Official Records, Orange County

Tom Daly, Clerk-Recorder



NO FEE

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

2010000131402 02:21 pm 03/19/10

66 406 A12 9

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Garden Grove Agency for  
Community Development  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: Director of Economic Development

257755

This document is exempt from the payment of a recording  
fee pursuant to Government Code Section 27383.

## OPTION AGREEMENT

This **OPTION AGREEMENT** is entered into as of February 9, 2010, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner"), and the **GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT**, a public body, corporate and politic (the "Agency").

### RECITALS

A. Owner and the Garden Grove Agency for Community Development have entered into an Affordable Housing Loan Agreement dated as of February 9, 2010 ("AHLA"). Under the terms of the Affordable Housing Loan Agreement, Owner has with the assistance of the Agency purchased real property located within the Garden Grove Agency for Community Development, located at 12172 Tamerlane Drive, which is improved with a six (6) Unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Attachment No. 1, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 400 of the Affordable Housing Loan Agreement, the Owner has agreed to grant to the Agency an option to purchase the Property upon payment of a purchase price as set forth therein.

C. Owner desires to grant to Agency an option to purchase the Property on the terms and conditions set forth hereinbelow. For purposes of this Option Agreement, "Property" shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner's rights to payment for rent and other items, and all of Owner's right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner's trade fixtures and equipment).

**NOW, THEREFORE**, in consideration of the foregoing, and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

1. **Grant of Option.** Owner grants to Agency an option (the "Option") to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the Agency to the Owner for the Property shall be the amount of the then current balance of the Bank Loan and Promissory Note plus an amount equal to Two Thousand, Eighty-Three Thousand Dollars (\$2,083) per month for each month from the thirty seventh (37th) month following the commencement of the Option Term until escrow is closed less Net Profits retained by Owner plus operating losses (collectively, the "Option Price"). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The Agency shall have the right of specific performance to enforce the terms of this Option Agreement.

2. **Term for Option.** The term of the Option ("Option Term") shall commence on the date of this Option Agreement, and, unless extended by mutual written agreement of the Owner and the Agency, shall automatically expire on the expiration of twenty (20) years from the date that Owner acquires the Property in which event, the Agency shall, upon written request by Owner, provide written request of such termination in recordable form.

3. **Exercise of Option.** The Option may be exercised at any time before the expiration of the Option Term by Agency's delivery to Owner of written notice of such exercise (the "Exercise Notice").

4. **Escrow and Completion of Sale.** Within five (5) days after Agency has exercised the Option, or as soon thereafter as reasonably practicable, an escrow shall be opened with an escrow company mutually acceptable to Agency and Owner for the conveyance of the Property to the Agency. The Agency shall deposit the Option Price in escrow not later than one (1) business day prior to the anticipated close of escrow date. The Agency's obligation to close escrow shall be subject to the Agency's approval of a then-current preliminary title report and, at Agency's option, environmental and other site testing. Any exceptions shown on such preliminary title report created on or after the Owner's acquisition of the Property shall be removed by Owner at its sole expense prior to the close of escrow pursuant to this Section 4 unless such exception(s) is(are) accepted by Agency in its reasonable discretion; provided, however, that Agency shall accept the following exceptions to title: (i) current taxes not yet delinquent, (ii) matters affecting title existing on the date of Owner's acquisition of the Property, (iii) liens and encumbrances in favor of the Garden Grove Agency for Community Development, and (iv) matters shown as printed exceptions in the standard form CLTA owner's policy of title insurance. In the event the Property or any portion thereof is encumbered by a mortgage or deed of trust, the Agency shall be permitted to unilaterally instruct the escrow agent to satisfy the indebtedness secured thereby out of the proceeds payable to the Owner through the foregoing escrow, or the Agency may satisfy all or a portion of the Option Price through the Agency's assumption of the promissory note or notes held by the holders of the deeds of trust encumbering the Site, if such holder or holders consent thereto. Agency shall pay all of the escrow fees, documentary transfer taxes, recording fees, the cost of any owner's policy of title insurance desired by the Agency, and any other costs and expenses of the escrow. Agency shall have thirty (30) days after exercise of the Option to enter upon the Property to conduct any tests, inspections, investigations, or studies of the condition of the Property. Owner shall permit the Agency access to the Site for such purposes. The Agency shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims, liabilities, or damages, and including expert witness fees and reasonable attorney's fees and

costs, caused by Agency's activities with respect to or arising out of such testing, inspection, or investigatory activity on the Site. Escrow shall close promptly after acceptance by Agency of the condition of title and the physical and environmental condition of the Property. Until the Closing, the terms of the Affordable Housing Loan Agreement and the Regulatory Agreement executed and recorded pursuant thereto shall remain in full force and effect.

**5. Failure to Exercise Option.** If the Option is not exercised in the manner provided in Section 3 above before the expiration of the Option Term, the Option shall terminate. Upon receipt of the written request of Owner, Agency shall cause a quitclaim deed terminating or releasing any and all rights Agency may have to acquire the Property (the "Quitclaim Deed") to be recorded in the Official Records of Orange County, California.

**6. Assignment.** Agency shall have the right to assign its interest hereunder. In connection with any assignment, any assignee shall execute all documents reasonably necessary to assume all of the obligations imposed under this Option Agreement on Agency as if the assignee were the original party in this Option Agreement.

**7. Representations and Warranties of Owner.** Owner hereby represents, warrants and covenants to Agency as follows, which representations and warranties shall survive the exercise of the Option and the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by Owner hereunder, upon execution and delivery thereof by Owner, will have been duly entered into by Owner, and will constitute legal, valid and binding obligations of Owner;

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which Owner is a party or by which it is bound; and

(c) Owner shall pay, prior to delinquency or default, any and all real property taxes and assessments which affect the Property.

Owner agrees to indemnify, protect, defend, and hold Agency and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Owner, shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

**8. Title.** Following the date hereof, Owner agrees not to cause, and shall use commercially reasonable efforts not to permit, any lien, easement, encumbrance or other exception to title to be recorded against the Property without Agency's prior written approval, such approval not to be unreasonably withheld.

**9. Representations and Warranties of Agency.** Agency hereby represents and warrants and covenants to Owner, as follows, which representations and warranties shall survive the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by Agency hereunder, upon execution and delivery thereof by Agency, will have been duly entered into by Agency, and will constitute legal, valid and binding obligations of Agency, and

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which Agency is a party or by which it is bound.

Agency agrees to indemnify, protect, defend, and hold Owner and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Agency, and any other representations and warranties of Agency contained elsewhere in this Option Agreement shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

**10. Relocation.** In the event that the Agency purchases the Property pursuant to this Option Agreement and any displacement of tenants of the Property occurs, the Agency shall provide relocation assistance in accordance with the Federal Uniform Relocation Assistance and Real Property Acquisition Act, 42 U.S.C. § 4601, *et seq.*, the California relocation law, Government Code Section 7260, *et seq.*, and the regulations adopted pursuant thereto by the United States, State of California and the Agency (collectively, the "Relocation Laws"), and in a manner approved by the Agency to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the Agency's acquisition of the Property pursuant to this Option Agreement. The Agency shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims for relocation assistance caused by or arising out of Agency's purchase of the Property pursuant to this Option Agreement.

## **11. General Provisions.**

**11.1 Paragraph Headings.** The paragraph headings used in this Option Agreement are for purposes of convenience only. They shall not be construed to limit or extend the meaning of any part of this Option Agreement.

**11.2 Notices.** Any notice, demand, approval, consent, or other communication required or desired to be given under this Option Agreement shall be in writing and shall be either personally served, sent by telecopy or mailed in the United States mails, certified, return receipt requested, postage prepaid, addressed to the party to be served with the copies indicated below, at the last address given by that party to the other under the provisions of this section. All communications shall be deemed delivered at the earlier of actual receipt, the next business day after deposit with Federal Express or other overnight delivery service or two (2) business days following mailing as aforesaid, or if telecopied, when sent, provided a copy is mailed or delivered as provided herein:

Agency: Garden Grove Agency for Community Development  
11222 Acacia Parkway  
Garden Grove, California 92642  
Attention: Community Development Director

Owner: Tamerlane Associates, LLC  
14 Corporate Plaza, Suite 100  
Newport Beach, CA 92660  
Attention: Charles Fry

**11.3 Binding Effect.** The terms, covenants and conditions of this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and transferees.

**11.4 Entire Agreement.** This Option Agreement sets forth the entire agreement between the parties hereto respecting the Option, and supersedes all prior negotiations and agreements, written or oral, concerning or relating to the subject matter of this Option Agreement.

**11.5 California Law.** This Option Agreement shall be governed by the laws of the State of California and any question arising hereunder shall be construed or determined according to such laws.

**11.6 Time of the Essence.** Time is of the essence of each and every provision of this Option Agreement.

**11.7 Counterparts.** This Option Agreement may be signed by the parties hereto in duplicate counterparts which together shall constitute one and the same agreement between the parties and shall become effective at such time as both of the parties shall have signed such counterparts.

**11.8 Attorneys' Fees.** If either party commences an action against the other to enforce any of the terms hereof or because of the breach by either party of any of the terms hereof, the losing party shall pay to the prevailing party reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action, including appeal of and/or enforcement of a judgment.

**11.9 Computation of Time.** All periods of time referred to in this Option Agreement shall include all Saturdays, Sundays and state or national holidays, unless the period of time is specified as business days (which shall not include Saturdays, Sundays and state or national holidays), provided that if the date or last date to perform any act or give any notice with respect to this Option Agreement shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

**11.10 Definition of Terms.** Terms not otherwise defined in this Option Agreement are defined in the Affordable Housing Loan Agreement.





**ATTACHMENT NO. 1**

**LEGAL DESCRIPTION**

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

Lot 10 of Tract No. 3050, as shown on a Map recorded in Book 92, Page 31 and 32 of Miscellaneous Maps, records of Orange County, State of California.

APN: 231-471-35



STATE OF CALIFORNIA

COUNTY OF Orange

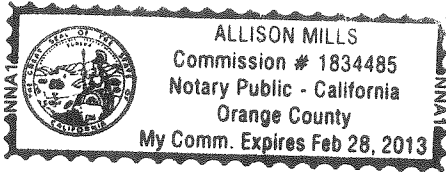
)  
) ss.  
)

On March 18, 2010, before me, Allison Mills, Notary Public,  
(Print Name of Notary Public)

personally appeared Matthew Fertal

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

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



WITNESS my hand and official seal.

Allison Mills  
Signature of Notary Public

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

**DESCRIPTION OF ATTACHED DOCUMENT**

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signer(s) Other Than Named Above

## SCHEDULE OF PERFORMANCE

- |    |   |   |
|----|---|---|
| 1. | Owner shall satisfy all conditions precedent to disbursement of the Agency Loan, including acquisition of the Property. | Within 180 days of the effective date of this Agreement.                      |
| 2. | Owner shall submit Rehabilitation Work Write-up for Agency approval   | Within 180 days of the effective date of this Agreement.                      |
| 3. | Agency shall review and either approve or disapprove Owner's Rehabilitation Work Write-up.                              | Within 30 days of Agency receipt of Rehabilitation Work Write-up.             |
| 4. | Owner shall supply the Agency with the certificate(s) of insurance required by Section 208 of the Agreement.            | Prior to the commencement of Rehabilitation.                                  |
| 5. | Owner shall commence Rehabilitation of the Property.  | Within 30 days following Agency approval of the Rehabilitation Work Write-up. |
| 6. | Owner shall complete the Rehabilitation of the Property.  | Within 180 days of commencing implementation of the Rehabilitation.           |
| 7. | Owner shall submit to the Agency a completed income computation, in a form to be provided by the Agency.                | Within 30 days of acquisition of the Property, and annually thereafter.       |

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

Garden Grove Agency for Community  
Development  
11222 Acacia Parkway  
Garden Grove, California 92840  
Attention: Agency Director

257755

Recorded in Official Records, Orange County  
Tom Daly, Clerk-Recorder



NO FEE

2010000131400 02:21pm 03/19/10

66 406 R29 17

0.00 0.00 0.00 0.00 48.00 0.00 0.00 0.00

SPACE ABOVE THIS LINE FOR RECORDER'S USE  
(This document is exempt from the payment of a recording fee  
pursuant to Government Code Section 27383.)

### NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY

This **NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY** ("Notice of Affordability Restrictions") is executed and recorded pursuant to Section 33334.3(f)(3)(B) of the California Health and Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, "Chapter 690"), and affects that certain property described in Attachment No. 1 hereto ("Site").

1. The Garden Grove Agency for Community Development, (the "Agency"), and Tamerlane Associates, LLC, a California limited liability company (the "Developer") have previously entered into an Affordable Housing Agreement dated as of February 9, 2010 ("AHA"). The AHA provides for affordability restrictions, as more particularly set forth in the AHA and the Regulatory Agreement. A copy of the AHA is on file with Agency as a public record and is deemed incorporated herein. Reference is made to the AHA with regard to the complete text of the provisions of such agreement which provides for affordability restrictions and restrictions on the transfer of the Site. Capitalized terms not defined herein shall have the meaning set forth in the AHA.

2. The AHA provides for Developer to (a) Rehabilitate six (6) rental dwelling units at the Site and (b) rent such dwelling units to households of limited income, paying an affordable rent; such restrictions are set forth at greater length in a document entitled the Regulatory Agreement, substantially in the form of Exhibit E to the AHA, which has been entered into by and between Agency and Developer, and which is expected to be recorded substantially concurrently herewith among the official land records of the County of Orange. The Regulatory Agreement and the AHA are deemed to be incorporated herein by reference.

2.1. The Regulatory Agreement sets forth the following affordability restrictions and restrictions on transfer of the Site:

“300. OPERATION OF HOUSING

“301. Affordable Units. The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the “Affordable Units”), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the “Operation” or “Operate”).

“For purposes of this Agreement, “Lower Income Households” shall mean those households with incomes that do not exceed sixty percent (60%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development (“HUD”) or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time. .

“Upon the Owner’s acquisition of the Property, and annually thereafter, the Owner shall submit to the Agency a completed income computation and certification form, in a form to be provided by the Agency. The Owner shall certify that each tenant leasing an Affordable Unit meets the income restrictions of this Section 301 and that tenant’s rental agreement states rent is Affordable Rent per Health & Safety Code Section 50053 for Lower Income households. The Owner shall obtain an income certification from the tenant of each Affordable Unit which shall certify that the income of the tenant is truthfully set forth in the income certification form. The Owner shall verify the income certification of the tenant in one or more of the following methods:

(1) obtain two (2) paycheck stubs from the tenant’s two (2) most recent pay periods, if any.

(2) obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed, if any.

(3) obtain an income verification certification from the employer of the tenant, if any.

(4) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, if any.

(5) obtain an alternate form of income verification reasonably requested by the Owner, if none of the above forms of verification is available to the Owner, if any.

“Current tenants of the Property as of the date of this Agreement shall not be compelled to vacate their Units solely because their income exceeds the applicable requirements for renting an Affordable Unit. Any tenant who, because of an increase in income, is no longer qualified to rent an Affordable Unit shall not be required to vacate the apartment unit solely because of such change of income, and shall be entitled to remain as a tenant of the same apartment unit at a rent which does not exceed the fair market rental value for such unit.

“The Property shall be subject to the requirements of this Section 300 from the date of Owner’s acquisition of the Property until the fifty fifth (55th) anniversary of such date. The duration of this requirement shall be known as the “Affordability Period.”

“302. Affordable Rent. The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the Agency in accordance with the following “Affordable Rent” requirements.

“The Affordable Units shall be rented to Lower Income Households at maximum HOME Rent limits defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit, less the monthly



allowance for utilities and services to be paid by each tenant ("Affordable Rent"). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed the fair market rent for comparable housing units in the area as determined by the Agency.

"For purposes of this Agreement, "Monthly Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Owner.

"303. Lease Requirements. Prior to disbursement of the Agency Loan, the Owner shall submit a standard lease form to the Agency for the Agency's approval. The Agency shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code Sections 33000 *et seq.* ("CRL") and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the Agency, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to Section 92.253 of the HOME Regulations.

"304. Affirmative Marketing. The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the Agency and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

“305. Selection of Tenants. Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The Agency may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the Agency in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME Program, Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

“306. Occupancy Standards. Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

“307. Maintenance. The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the Agency with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the Agency with respect to landscaping and building improvements, then

the Agency, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the Agency and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the Agency, as appropriate, upon demand.

“308. Reserve Requirements. The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner’s acquisition of the Property, the sum of Twenty-Seven Thousand Dollars (\$27,000) (the “Operating Reserve”), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the Agency of compliance herewith.

“Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the “Capital Replacement Reserve”). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner’s acquisition of the Property, after which time the Owner shall continue making monthly deposits of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the

Owner of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the Agency an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement and irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement, and common area repainting.

“In the event that Owner provides evidence reasonably satisfactory to Agency that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the Agency shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

“309. Long Term Management of the Property. The parties acknowledge that the Agency is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the “Property Manager”). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the Agency may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the Agency determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the Agency shall provide

notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 501 hereof, the Agency shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the Agency, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

“In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the Agency a “Management Plan” which sets forth in detail the Owner’s property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the Agency.

“Until the Agency Loan has been fully repaid, the Owner shall annually submit to the Agency for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the Agency. The Owner shall annually provide to the Agency a detailed accounting of operating expenses and shall make its books and records available to the

Agency for inspection and copying, upon reasonable advance notice during its normal hours of business.

“310. Monitoring and Recordkeeping. Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and shall annually complete and submit to Agency a Certification of Continuing Program Compliance in the form provided by the Agency. Representatives of the Agency shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to compliance herewith, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the Agency in making the Property available for such inspection or audit. If for any reason the Agency is unable to obtain the Owner’s consent to such an inspection or audit, the Owner understands and agrees that the Agency may obtain at Owner’s expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

“311. Non-Discrimination Covenants. Owner covenants by and for itself, its successors 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. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof,

shall contain or be subject to substantially the following non-discrimination or non-segregation 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 premises which are the subject of this Agreement, 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.”

“312. Compliance with Equal Opportunity and Fair Housing. Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of Agency and its successors and assigns, and shall remain in effect in perpetuity.

“313. Subordination. This Agreement shall run with the land and shall be subordinate to the Bank Loan approved by the Agency pursuant to Section 211 of the Affordable Housing Loan Agreement, provided that the Agency finds that an economically feasible method of financing for the acquisition and operation of the Property, without the subordination of the covenants as may be set forth in this Agreement and the Affordable Housing Loan Agreement, is not reasonably available. Upon making such a finding, the Director (or designee) is hereby authorized to execute such subordination agreements and/or such other documents as may be necessary to evidence such subordination, provided that such subordination agreements contain written commitments which the Director (or designee) finds are reasonably designed to protect the Agency’s investment in the event of default, such as any of the following: (a) a right of the Agency to cure a default on the loan prior to foreclosure, (b) a right of the Agency to negotiate with the lender after notice of default from the lender and prior to foreclosure, (c) an agreement that if prior to foreclosure of the loan, the Agency takes title to the



Property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to the Agency, and (d) a right of the Agency to purchase the Property from the Owner at any time after a default on the loan.

“314. Regulatory Agreement. The requirements of this Agreement which are applicable after the disbursement of the Agency Loan are set forth in the Regulatory Agreement and Notice of Affordability Restrictions. The execution and recordation of the Regulatory Agreement is a Condition Precedent to the disbursement of the Agency Loan, as set forth in Section 102 hereof. The Regulatory Agreement shall run with the land and shall be subordinate to the lien of the Bank Loan approved by the Agency pursuant to Section 211 hereof, provided that the Agency finds that an economically feasible method of financing for the acquisition and operation of the Property, without the subordination of the covenants as may be set forth in this Agreement and the Regulatory Agreement, is not reasonably available. Upon making such a finding, the Director (or designee) is hereby authorized to execute such subordination agreements and/or such other documents as may be necessary to evidence such subordination, provided that such subordination agreements contain written commitments which the Director (or designee) finds are reasonably designed to protect the Agency’s investment in the event of default, such as any of the following: (a) a right of the Agency to cure a default on the loan prior to foreclosure, (b) a right of the Agency to negotiate with the lender after notice of default from the lender and prior to foreclosure, (c) an agreement that if prior to foreclosure of the loan, the Agency takes title to the property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to the Agency, and (d) a right of the Agency to purchase the Property from the Owner at any time after a default on the loan.”

3. The restrictions contained in the Regulatory Agreement expire fifty five (55) years following the date the Owner Acquires the Site. The Regulatory Agreement is being submitted for recordation contemporaneously with this Notice of Affordability Restrictions.

4. The commonly known address for the Site is 12172 Tamerlane Drive in the City of Garden Grove.

5. The assessor's parcel number for the Site is: 231-471-36; such number is subject to change.

6. The legal description for the Site is attached hereto as Attachment No. 1 and is incorporated herein by reference.

7. The Regulatory Agreement, which includes the affordability restrictions referenced above, is expected to be submitted for recordation in the Office of the Orange County Recorder contemporaneously with this Notice of Affordability Restrictions.

8. This Notice of Affordability Restrictions is intended merely to satisfy the requirements of Chapter 690. The AHA and the Regulatory Agreement both remain in full force and effect and are not amended or altered in any manner whatsoever by this Notice of Affordability Restrictions.

9. Persons having questions regarding this Notice of Affordability Restrictions, the AHA or the Attachments thereto (including the Regulatory Agreement) should contact Agency at its offices (11222 Acacia Parkway, Garden Grove, or such other address as may be designated by Agency from time to time).

**[Signatures appear on following page.]**



**ATTACHMENT NO. 1**

**LEGAL DESCRIPTION**

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

Lot 10 of Tract No. 3050, as shown on a Map recorded in Book 92, Page 31 and 32 of Miscellaneous Maps, records of Orange County, State of California.

APN: 231-471-35

STATE OF CALIFORNIA

COUNTY OF Orange

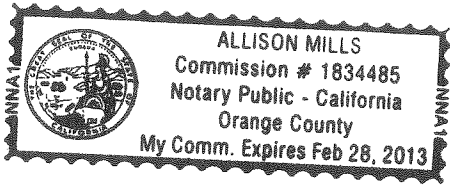
)  
) ss.  
)

On March 18, 2010, before me, Allison Mills, Notary Public,  
(Print Name of Notary Public)

personally appeared Matthew Fertal

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

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



WITNESS my hand and official seal.

Allison Mills  
Signature of Notary Public

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

**DESCRIPTION OF ATTACHED DOCUMENT**

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
Signer(s) Other Than Named Above

ATTACHED TO NOTICE OF AFFORDABILITY RESTRICTIONS

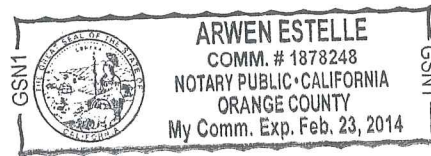
STATE OF CALIFORNIA        )  
  )  
COUNTY OF ORANGE        )

On March 18, 2010, before me, Arwen Estelle, Notary Public, personally appeared Charles H. Fry, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), an that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature 



(NOTARY SEAL)

**EXHIBIT I**  
**PRO FORMA**

**Tamerlane Apartments  
12172 Tamerlane  
Garden Grove, CA**

**Current Income & Expenses**

			Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Scheduled Income	3%		\$ 84,000	\$ 86,520	\$ 89,116	\$ 91,789	\$ 94,543
Less Vacancy	5%		4,200	4,326	4,456	4,589	4,727
Gross Scheduled Income			79,800	82,194	84,660	87,200	89,816
Laundry Income	\$ 10		720	742	764	787	810
Effective Gross Income			80,520	82,936	85,424	87,986	90,626
Expenses	\$ 4,800 per Unit	3%	28,800	29,664	30,554	31,471	32,415
<b>NOI</b>			<b>\$ 51,720</b>	<b>\$ 53,272</b>	<b>\$ 54,870</b>	<b>\$ 56,516</b>	<b>\$ 58,211</b>
Less Debt Service	6.20%		\$ (44,098)	\$ (44,098)	\$ (44,098)	\$ (44,098)	\$ (44,098)
Cash Flow			\$ 7,622	\$ 9,174	\$ 10,772	\$ 12,418	\$ 14,114

**Projected Income & Expenses**

			Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Scheduled Income	3%		\$ 79,956	\$ 82,355	\$ 84,825	\$ 87,370	\$ 89,991
Less Vacancy	5%		3,998	4,118	4,241	4,369	4,500
Gross Scheduled Income			75,958	78,237	80,584	83,002	85,492
Laundry Income	\$ 10		720	742	764	787	810
Effective Gross Income			76,678	78,979	81,348	83,788	86,302
Expenses	\$ 4,800 per Unit	3%	28,800	29,664	30,554	31,471	32,415
<b>NOI</b>			<b>\$ 47,878</b>	<b>\$ 49,315</b>	<b>\$ 50,794</b>	<b>\$ 52,318</b>	<b>\$ 53,887</b>
Less Debt Service	6.20%		\$ (44,098)	\$ (44,098)	\$ (44,098)	\$ (44,098)	\$ (44,098)
Cash Flow			\$ 3,780	\$ 5,217	\$ 6,696	\$ 8,220	\$ 9,790

Restricted Set-Aside rents have been applied to this projection.



**Tamerlane Apartments  
12172 Tamerlane  
Garden Grove, CA**

**Project Data**

	<u>Projected</u>
Year Built	1965+/-
Number of Units	6
Total Acquisition Price	\$ 1,400,000
Price Per Unit	\$ 233,333
Effective Gross Income year 1	\$ 80,520
Expenses (Total)	\$ 28,800
Expenses (Annual/unit)	\$ 4,800
Net Operating Income year 1	\$ 51,720
Total Restricted apartments	6
Set-Aside restricted rent apartments	6

**Current Income & Expenses**

	<u>Monthly</u>	<u>Annual</u>
Scheduled Income	\$ 7,000	\$ 84,000
Less Vacancy 5%	350	4,200
Gross Scheduled Income	6,650	79,800
Laundry Income \$ 10	60	720
Effective Gross Income	6,710	80,520
Expenses \$ 4,800 per Unit	2,400	28,800
<b>NOI</b>	<b>\$ 4,310</b>	<b>\$ 51,720</b>
Less Debt Service 6.2%	\$ (3,675)	\$ (44,098)
Cash Flow	\$ 635	\$ 7,622

**Projected Income & Expenses**

	<u>Monthly</u>	<u>Annual</u>
Scheduled Income	\$ 6,663	\$ 79,956
Less Vacancy 5%	333	3,998
Gross Scheduled Income	6,330	75,958
Laundry Income \$ 10	60	720
Effective Gross Income	6,390	76,678
Expenses \$ 4,800 per Unit	2,400	28,800
<b>NOI</b>	<b>\$ 3,990</b>	<b>\$ 47,878</b>
Less Debt Service 6.2%	\$ (3,675)	\$ (44,098)
Cash Flow	\$ 315	\$ 3,780

Note: City 2nd is paid if cash flow is available.

**Tamerlane Apartments  
12172 Tamerlane  
Garden Grove, CA**

**Project Costs**

Purchase Price		\$ 1,400,000
Acquisition Costs of 1 %		14,000
Permits		500
Insurance		10,000
Development Fees		50,000
Operating Reserve		45,000
Exterior Improvements @ \$8,065 per Unit		48,390
Interior Improvements @ \$6,539 per Unit		39,234
Contingency	10%	8,762
Construction Management	10%	8,762
Project Costs		\$ 1,624,649
Financing Costs		\$ 6,000
<b>Total Project Costs</b>		<b><u>\$ 1,630,649</u></b>

**Sources of Funds**

Total Project Costs		\$ 1,630,649
Loan Amount	37%	600,000
Set-Aside Funds		1,030,649

**Tamerlane Apartments  
12172 Tamerlane  
Garden Grove, CA**

Address	Unit	Type	Proposed	Current rent	Market rent	
12172	1	2/1	\$ 1,111	\$ 1,175	1,300	\$1,111 includes util. allowance Set-Aside restricted rent, need to qualify resident
	2	2/1	\$ 1,111	\$ 1,175	1,300	\$1,111 includes util. allowance Set-Aside restricted rent, need to qualify resident
	3	2/1	\$ 1,111	\$ 1,175	1,300	\$1,111 includes util. allowance Set-Aside restricted rent, need to qualify resident
	4	2/1	\$ 1,111	\$ 1,175	1,300	\$1,111 includes util. allowance Set-Aside restricted rent, need to qualify resident
	5	2/1	\$ 1,111	\$ 1,150	1,300	\$1,111 includes util. allowance Set-Aside restricted rent, need to qualify resident
	6	2/1	\$ 1,111	\$ 1,150	1,300	\$1,111 includes util. allowance Set-Aside restricted rent, need to qualify resident
			\$ 6,663	\$ 7,000	\$ 7,800	

Note: Market rent is established by the highest current rent for each unit type.

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Recorded in Official Records, Orange County  
Tom Daly, Clerk-Recorder

Charles, Kane & Dye, LLP  
1920 Main Street, Suite 1070  
Irvine, CA 92614  
Attn: Stephen M. Kane



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SPACE ABOVE LINE FOR RECORDER'S USE

### SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT (the "Agreement") is made and entered into as of March 18, 2010, by and between the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT (the "Agency") and VISTA COMMUNITIES, INC., a California corporation (the "Lender").

### PRELIMINARY STATEMENTS

A. Pursuant to the terms and conditions of that certain Promissory Note Secured By Deed of Trust of even date herewith ("First Note"), the Lender is making a loan in the amount of Six Hundred Thousand Dollars (\$600,000.00) ("First Loan") to Tamerlane Associates, LLC, a California limited liability company ("Owner"). The First Note is being secured by that certain Deed of Trust With Assignment of Rents of even date herewith ("First Trust Deed") recorded against the real property commonly known as 12172 Tamerlane Drive, Garden Grove, California, which is legally described in Exhibit "A" attached hereto and incorporated herein by this reference ("Property"). The First Note, First Trust Deed and all other documents and instruments relating to the First Loan are hereinafter collectively referred to as the "First Loan Documents".

B. The Agency is making a loan to the Owner in the principal amount of Nine Hundred Eighty Thousand Six Hundred Forty Nine Dollars (\$980,649.00) pursuant to the provisions of the Affordable Housing Loan Agreement (the "Housing Agreement"), which loan is evidenced by that certain Promissory Note made by the Owner of even date herewith and secured by a Deed of Trust With Assignment of Rents of even date herewith among the Owner, First Alliance Title Company and the Agency (the "Agency Deed of Trust"), which, together with the Regulatory Agreement attached to the Housing Agreement as an Exhibit, is being recorded concurrently herewith. The Housing Agreement, Agency Deed of Trust, and the Regulatory Agreement are referred to herein, collectively as the "Agency Agreements."

C. The Agency desires to expressly subordinate the Agency Agreements in favor of the First Loan Documents and the Agency is willing to do so.

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Charles, Kane & Dye, LLP  
1920 Main Street, Suite 1070  
Irvine, CA 92614  
Attn: Stephen M. Kane

DUPLICATE ORIGINAL

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SPACE ABOVE LINE FOR RECORDER'S USE

## SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT (the "Agreement") is made and entered into as of March 18, 2010, by and between the GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT (the "Agency") and VISTA COMMUNITIES, INC., a California corporation (the "Lender").

### PRELIMINARY STATEMENTS

A. Pursuant to the terms and conditions of that certain Promissory Note Secured By Deed of Trust of even date herewith ("First Note"), the Lender is making a loan in the amount of Six Hundred Thousand Dollars (\$600,000.00) ("First Loan") to Tamerlane Associates, LLC, a California limited liability company ("Owner"). The First Note is being secured by that certain Deed of Trust With Assignment of Rents of even date herewith ("First Trust Deed") recorded against the real property commonly known as 12172 Tamerlane Drive, Garden Grove, California, which is legally described in Exhibit "A" attached hereto and incorporated herein by this reference ("Property"). The First Note, First Trust Deed and all other documents and instruments relating to the First Loan are hereinafter collectively referred to as the "First Loan Documents".

B. The Agency is making a loan to the Owner in the principal amount of Nine Hundred Eighty Thousand Six Hundred Forty Nine Dollars (\$980,649.00) pursuant to the provisions of the Affordable Housing Loan Agreement (the "Housing Agreement"), which loan is evidenced by that certain Promissory Note made by the Owner of even date herewith and secured by a Deed of Trust With Assignment of Rents of even date herewith among the Owner, First Alliance Title Company and the Agency (the "Agency Deed of Trust"), which, together with the Regulatory Agreement attached to the Housing Agreement as an Exhibit, is being recorded concurrently herewith. The Housing Agreement, Agency Deed of Trust, and the Regulatory Agreement are referred to herein, collectively as the "Agency Agreements."

C. The Agency desires to expressly subordinate the Agency Agreements in favor of the First Loan Documents and the Agency is willing to do so.

## AGREEMENT

In consideration of the foregoing recitals, which are hereby incorporated into this Agreement by this reference, and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. ***Subordination of Agency Agreements.*** The liens and/or security interests created pursuant to and securing the First Loan Documents shall be and remain at all times prior and superior to the liens and/or security interests created pursuant to and securing the Agency Agreements, the First Loan Documents shall in all respects be a claim on the assets of the Owner pledged therefor prior and superior to the Agency Agreements until the First Loan Documents shall have been discharged by their terms.

2. ***Standstill Agreement.*** Subject to the provisions of Section 3 below, the Agency hereby agrees not to exercise or attempt to exercise any remedy whatsoever under the Agency Agreements due to or as a remedy for any breach of, or default or event of default under, the terms of the Agency Agreements unless, prior to such exercise or attempted exercise, a breach of, or a default or event of default under, the terms of the First Loan Documents shall have occurred and be continuing and the Lender has commenced exercising remedies with respect to the First Loan.

3. ***Cure Rights.*** In the event of default under the First Loan, Lender agrees to provide notice of same concurrently with notice to the Owner and to reasonably cooperate with Agency in the following cure rights so long as the Agency diligently pursues such cure rights: (a) the right of the Agency to cure a default on the First Loan prior to foreclosure of the First Trust Deed, (b) an exclusive right of the Agency to negotiate for up to ninety (90) days with the Lender after notice of default has been recorded by the Lender and prior to a foreclosure of the First Trust Deed, (c) an agreement that if prior to foreclosure of the First Trust Deed, the Agency takes title to the Property and cures all defaults on the First Loan, the Lender will not exercise any right it may have to accelerate the First Loan by reason of the transfer of title to the Property to the Agency, and (d) a right of the Agency to purchase the Property from the Lender at any time after a default on the First Loan on the terms described in the Option Agreement (as described in the Housing Agreement).

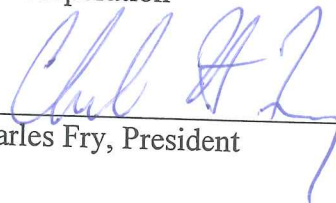
4. ***Amendment; Waiver; Entire Agreement; Successors; Counterparts; Governing Law.*** No change or modification of this Agreement shall be valid unless the same is in writing and signed by the parties hereto. No waiver of any of the provisions of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and there are no promises, agreements, conditions, undertakings, warranties or representations, oral or written, express or implied, between the parties relating to the subject matter hereof other than as herein set forth. This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, personal representatives, successors and assigns. This Agreement may be signed in any number of counterparts and/or by facsimile, each of which shall be an original, but all of which together shall constitute but one and the same instrument. This Agreement shall be governed, construed and enforced in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized representatives as of the day and year first above written.

LENDER:

VISTA COMMUNITIES, INC.  
a California corporation

By:

  
\_\_\_\_\_  
Charles Fry, President

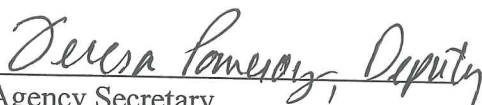
AGENCY:

GARDEN GROVE AGENCY FOR  
COMMUNITY DEVELOPMENT  
a public body, corporate and politic

By:

  
\_\_\_\_\_  
Agency Director

ATTEST:

  
\_\_\_\_\_  
Teresa Pomeroy, Deputy  
Agency Secretary

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Stradling Yocca Carlson & Rauth  
Agency Special Counsel







**EXHIBIT A**

**LEGAL DESCRIPTION**

The real property situated in the County of Orange, State of California, described as follows:

Lot 10 of Tract No. 3050, as shown on a Map recorded in Book 92, Page 31 and 32 of Miscellaneous Maps, records of Orange County, State of California.

APN: 231-471-35

This Document w electronically recorded by  
Stewart Title

Recorded in Official Records, Orange County  
Tom Daly, Clerk-Recorder

RECORDING REQUESTED BY



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AND WHEN RECORDED MAIL TO

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Stephen M. Kane  
Charles, Kane & Dye, LLP  
1920 Main Street, Suite 1070  
Irvine, CA 92614

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SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

TITLE ORDER NO.

257424

ESCROW NO.

257424

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THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING  
INFORMATION

**TITLE OF DOCUMENT: AGREEMENT  
SUBORDINATING EXISTING LEASE AGREEMENT  
TO NEW DEED OF TRUST**

---

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

**AGREEMENT SUBORDINATING EXISTING LEASE AGREEMENT TO NEW  
DEED OF TRUST**

THIS AGREEMENT, made **March 18, 2010** by and between

**Tamerlane Associates, LLC.**

owners of the land hereinafter described and/ hereinafter referred to as "Owner/Lessors", and  
**DADSON WASHER SERVICE, INC.**, PRESENT Lessee under that certain lease agreement hereinafter  
described and hereinafter referred to as "Lessee".

WITNESSETH

THAT WEREAS, Owner/Lessor and Lessee did execute that certain "Lease of Laundry Room Space"  
dated **07/01/2008** covering the real property commonly known as: **12172 Tamerlane Dr. Garden Grove,  
CA**

as set forth in said lease agreement, and which said lease agreement was not recorded  
; and WHEREAS, Owner has executed or is about to execute, a deed of trust and note in the sum of  
**\$ 980,649.00** dated as of the 9th day of February, **2010** in favor of  
**Garden Grove Agency for Community Development** hereinafter referred to as "Lenders", payable with  
interest and upon the terms and conditions described therein, which deed of trusts are to be recorded  
concurrently herewith; and WHEREAS, Lender is willing to make said loan provided the deed of trust  
securing the same is a lien or charge upon the above described property prior and superior to the lien or  
charge of the lease agreement first above mentioned and provided that Lessee will subordinate the lien or  
charge of the lease agreement first above mentioned to lien or charge of the deed of trust in favor of  
Lender; and

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other  
valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and  
subject to and conditioned upon the NON-DISTURBANCE and ATTORNMENT provisions set forth  
below, it is hereby declared, understood and agreed as follows:

- 1) That said deed of trust securing said note in favor of Lender, and any renewals or extensions thereof, shall be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the lease agreement first above mentioned.
- 2) For each mortgage or deed of trust, Landlord shall obtain from the mortgagee or beneficiary an agreement in writing that, in the event of foreclosure, or any sale thereunder, this lease shall not be terminated and Tenant's right to possession under this lease shall not be disturbed, provided Tenant is not then in default under the lease.
- 3) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the lease agreement first above mentioned to the lien or charge of the deed of trust in favor of Lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreements as to such subordination including, but not limited to, those provisions, if any contained in the lease agreement first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

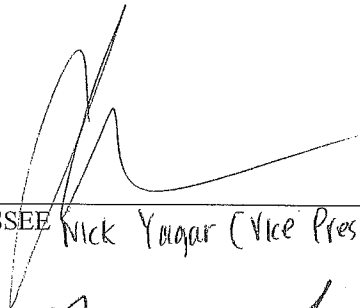
NON-DISTURBANCE

So long as Tenant is not in default, beyond any period given to Tenant to cure a default, in the payment of rent or in the performance or any of the terms, covenants, or conditions of the Lease, Tenant's possession of the Demised Premises and Tenant's rights and privileges under the Lease, including any extensions or renewals, shall not be diminished or interfered with by Lender during the term of the Lease or any extensions or renewals. So long as Tenant is not in default, beyond any period given Tenant to cure such default, in the payment of rent or in the performance of any of the terms, covenants, or conditions of the Lease, Lender will not join Tenant as a party for the purpose of terminating or otherwise affecting Tenant's interest under the Lease, in any action of foreclosure or other proceeding brought by Lender to enforce any rights arising because of any default under the Deed of Trust. Lender may, however, join Tenant as a party if joinder is necessary under any statute or law to secure the remedies available to Lender under the Deed of Trust, but joinder shall be for that purpose only and or for the purpose of terminating the Lease of affecting Tenant's right of possession of the Demised Premises

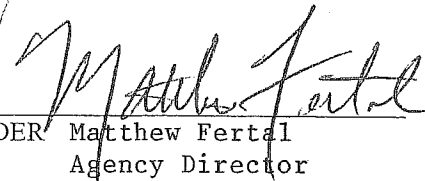
ATTORNMENMENT

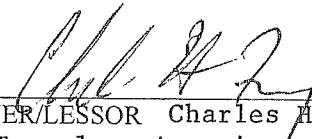
If the landlord's interest is transferred to and owned by Lender or any successor of Lender ("Lender's Successor") because of foreclosure, sale under a private power from a deed of trust, other proceedings brought by Lender, or by any other manner and Lender succeeds to Landlord's interest under the Lease, Tenant shall be bound to Lender's Successor, and Lender's Successor shall be bound to Tenant under all of the terms, covenants, and conditions of the lease for the balance of the remaining term, including any extensions or renewals, with the same affect as if Lender's Successor were Landlord under the lease. Tenant agrees to attorn to Lender's Successor as the Landlord, with the attornment being effective and self-operable immediately upon Lender's Successor succeeding to the interest of Landlord under the Lease, all without the execution by the parties of any further instrument. However, Tenant shall not be obligated to pay rent to Lender's Successor until Tenant receives written notice from Lender's Successor, together with evidence satisfactory to Tenant, demonstrating that Lender's Successor has succeeded to Landlord's interest under the Lease and directing where rent should be mailed. The respective rights and obligations of Tenant and lender's Successor upon attornment, to the extent of then remaining balance of the term of the lease, shall be the same as in the Lease, which is incorporated by reference in this Agreement. If Lender's Successor succeeds to Landlord's interest in the Lease, Lender's Successor shall be bound to Tenant under all the terms, covenants, and conditions of the Lease, and Tenant shall, after Lender's Successor's succession to Landlord's interest, have the remedies against Lender's Successor for the breach of any agreement in the Lease that Tenant might have had against Landlord.

NOTICE THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

  
\_\_\_\_\_  
LESSEE Nick Yougar (Vice President)

\_\_\_\_\_  
OWNER/LESSOR

  
\_\_\_\_\_  
LENDER Matthew Fertal  
Agency Director

  
\_\_\_\_\_  
OWNER/LESSOR Charles H. Fry, Manager  
of Tamerlane Associates, LLC

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of Los Angeles }

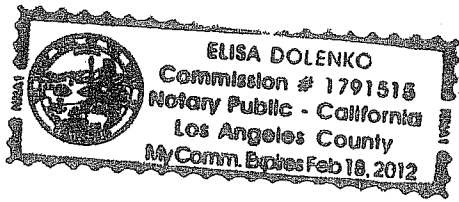
On 3-17-2010 before me, Elisa Dolenko, Notary Public  
Date Here Insert Name and Title of the Officer

personally appeared Nick Yagar  
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.



Place Notary Seal Above

Signature \_\_\_\_\_  
Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

STATE OF CALIFORNIA

COUNTY OF Orange

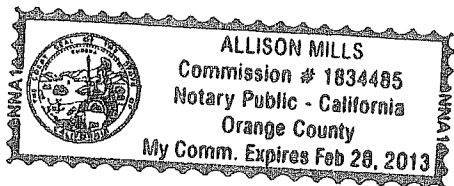
)  
) ss.  
)

On March 18, 2010, before me, Allison Mills, Notary Public,  
(Print Name of Notary Public)

personally appeared Matthew Fertal

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

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



WITNESS my hand and official seal.

Allison Mills  
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
Signer(s) Other Than Named Above

ATTACHED TO AGREEMENT SUBORDINATING EXISTING LEASE AGREEMENT

STATE OF CALIFORNIA )


)

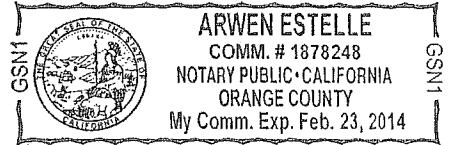
COUNTY OF ORANGE )

On March 18, 2010, before me, Arwen Estelle, Notary Public, personally appeared Charles H. Fry, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), an that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature 



(NOTARY SEAL)



This Document v electronically recorded by  
Stewart Title

Recorded in Official Records, Orange County  
Tom Daly, Clerk-Recorder

RECORDING REQUESTED BY



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AND WHEN RECORDED MAIL TO

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Stephen M. Kane  
Charles, Kane & Dye, LLP  
1920 Main Street, Suite 1070  
Irvine, CA 92614

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SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

TITLE ORDER NO. ~~257424~~ 257755

ESCROW NO. ~~257424~~ 257755

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THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING  
INFORMATION

**TITLE OF DOCUMENT: AGREEMENT  
SUBORDINATING EXISTING LEASE AGREEMENT  
TO NEW DEED OF TRUST**

---

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:

**AGREEMENT SUBORDINATING EXISTING LEASE AGREEMENT TO NEW  
DEED OF TRUST**

THIS AGREEMENT, made March 16, 2010 by and between

**Tamerlane Associates, LLC.**

owners of the land hereinafter described and/ hereinafter referred to as "Owner/Lessors", and  
**DADSON WASHER SERVICE, INC.**, PRESENT Lessee under that certain lease agreement hereinafter  
described and hereinafter referred to as "Lessee".

WITNESSETH

THAT WEREAS, Owner/Lessor and Lessee did execute that certain "Lease of Laundry Room Space"  
dated 07/01/2008 covering the real property commonly known as: 12172 Tamerlane Dr. Garden Grove,  
CA

as set forth in said lease agreement, and which said lease agreement was not recorded  
; and WHEREAS, Owner has executed or is about to execute, a deed of trust and note in the sum of  
\$ 600,000.00 dated as of the 18th day of March, 2010 in favor of  
Vista Communities, Inc. a California corporation hereinafter referred to as "Lenders", payable with  
interest and upon the terms and conditions described therein, which deed of trusts are to be recorded  
concurrently herewith; and WHEREAS, Lender is willing to make said loan provided the deed of trust  
securing the same is a lien or charge upon the above described property prior and superior to the lien or  
charge of the lease agreement first above mentioned and provided that Lessee will subordinate the lien or  
charge of the lease agreement first above mentioned to lien or charge of the deed of trust in favor of  
Lender; and

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other  
valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and  
subject to and conditioned upon the NON-DISTURBANCE and ATTORNMENT provisions set forth  
below, it is hereby declared, understood and agreed as follows:

- 1) That said deed of trust securing said note in favor of Lender, and any renewals or extensions thereof, shall be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the lease agreement first above mentioned.
- 2) For each mortgage or deed of trust, Landlord shall obtain from the mortgagee or beneficiary an agreement in writing that, in the event of foreclosure, or any sale thereunder, this lease shall not be terminated and Tenant's right to possession under this lease shall not be disturbed, provided Tenant is not then in default under the lease.
- 3) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the lease agreement first above mentioned to the lien or charge of the deed of trust in favor of Lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreements as to such subordination including, but not limited to, those provisions, if any contained in the lease agreement first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

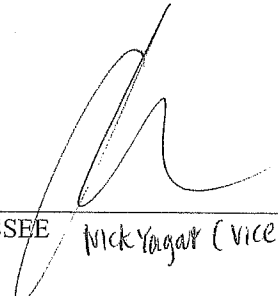
NON-DISTURBANCE

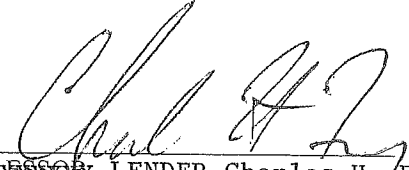
So long as Tenant is not in default, beyond any period given to Tenant to cure a default, in the payment of rent or in the performance or any of the terms, covenants, or conditions of the Lease, Tenant's possession of the Demised Premises and Tenant's rights and privileges under the Lease, including any extensions or renewals, shall not be diminished or interfered with by Lender during the term of the Lease or any extensions or renewals. So long as Tenant is not in default, beyond any period given Tenant to cure such default, in the payment of rent or in the performance of any of the terms, covenants, or conditions of the Lease, Lender will not join Tenant as a party for the purpose of terminating or otherwise affecting Tenant's interest under the Lease, in any action of foreclosure or other proceeding brought by Lender to enforce any rights arising because of any default under the Deed of Trust. Lender may, however, join Tenant as a party if joinder is necessary under any statute or law to secure the remedies available to Lender under the Deed of Trust, but joinder shall be for that purpose only and or for the purpose of terminating the Lease of affecting Tenant's right of possession of the Demised Premises

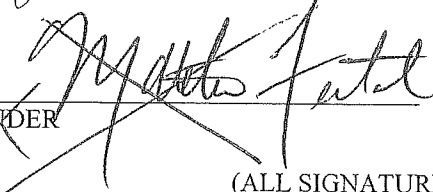
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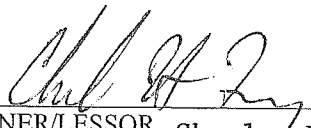
If the landlord's interest is transferred to and owned by Lender or any successor of Lender ("Lender's Successor") because of foreclosure, sale under a private power from a deed of trust, other proceedings brought by Lender, or by any other manner and Lender succeeds to Landlord's interest under the Lease, Tenant shall be bound to Lender's Successor, and Lender's Successor shall be bound to Tenant under all of the terms, covenants, and conditions of the lease for the balance of the remaining term, including any extensions or renewals, with the same affect as if Lender's Successor were Landlord under the lease. Tenant agrees to attorn to Lender's Successor as the Landlord, with the attornment being effective and self-operable immediately upon Lender's Successor succeeding to the interest of Landlord under the Lease, all without the execution by the parties of any further instrument. However, Tenant shall not be obligated to pay rent to Lender's Successor until Tenant receives written notice from Lender's Successor, together with evidence satisfactory to Tenant, demonstrating that Lender's Successor has succeeded to Landlord's interest under the Lease and directing where rent should be mailed. The respective rights and obligations of Tenant and lender's Successor upon attornment, to the extent of then remaining balance of the term of the lease, shall be the same as in the Lease, which is incorporated by reference in this Agreement. If Lender's Successor succeeds to Landlord's interest in the Lease, Lender's Successor shall be bound to Tenant under all the terms, covenants, and conditions of the Lease, and Tenant shall, after Lender's Successor's succession to Landlord's interest, have the remedies against Lender's Successor for the breach of any agreement in the Lease that Tenant might have had against Landlord.

NOTICE THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

  
\_\_\_\_\_  
LESSEE Nick Yangar (vice President)

  
\_\_\_\_\_  
~~OWNER/LESSOR~~ LENDER Charles H. Fry,  
President of Vista Communities, Inc.

  
\_\_\_\_\_  
LENDER

  
\_\_\_\_\_  
OWNER/LESSOR Charles H. Fry, Manager  
of Tamerlane Associates, LLC

(ALL SIGNATURES MUST BE ACKNOWLEDGED)

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of Los Angeles

On 3-16-2010  
Date

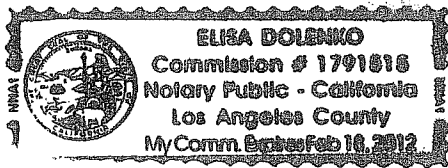
before me, Elisa Dolenko, Notary Public  
Here Insert Name and Title of the Officer

personally appeared Nick Yagar  
Name(s) of Signer(s)

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

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

WITNESS my hand and official seal.



Place Notary Seal Above

Signature

Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

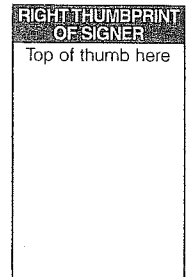
Signer Is Representing: \_\_\_\_\_



Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_





# ACORD CERTIFICATE OF LIABILITY INSURANCE

CSR LD  
VISTA-4

DATE (MM/DD/YYYY)  
10/26/10

<b>PRODUCER</b> CLARKE MARINE INSURANCE 245 FISCHER AVENUE, SUITE D-8 COSTA MESA CA 92626 Phone: 714-444-2679 Fax: 714-444-0176		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
<b>INSURED</b> Tamerlane Associates, LLC c/o Vista Communities, Inc. Attn: Chuck Fry 14 Corporate Plaza Suite 100 Newport Beach CA 92660		<b>INSURERS AFFORDING COVERAGE</b> INSURER A: Fireman's Fund Insurance Co <i>A, XV</i> INSURER B: Federal Insurance Co <i>Att, XV</i> INSURER C: INSURER D: INSURER E:	<b>NAIC #</b> A++ <i>, XV</i>

## COVERAGES

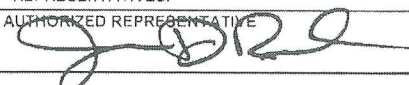
THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY	MXX80912715	11/01/09	11/01/10	EACH OCCURRENCE	\$ 1,000,000
	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 100,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person)	\$ 5,000
					PERSONAL & ADV INJURY	\$ 1,000,000
					GENERAL AGGREGATE	\$ 2,000,000
					PRODUCTS - COMP/OP AGG	\$ 2,000,000
					GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	
A	AUTOMOBILE LIABILITY	MXX80912715	11/01/09	11/01/10	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
	<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person)	\$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident)	\$
	<input checked="" type="checkbox"/> HIRED AUTOS				PROPERTY DAMAGE (Per accident)	\$
	<input checked="" type="checkbox"/> NON-OWNED AUTOS					
	GARAGE LIABILITY					
	<input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
					OTHER THAN EA ACC	\$
					AUTO ONLY: AGG	\$
B	EXCESS/UMBRELLA LIABILITY	79853220	11/01/09	11/01/10	EACH OCCURRENCE	\$ 3,000,000
	<input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE	\$ 3,000,000
	<input type="checkbox"/> DEDUCTIBLE					\$
	RETENTION \$					\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				WC STATU-TORY LIMITS	OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?				E.L. EACH ACCIDENT	\$
	If yes, describe under SPECIAL PROVISIONS below				E.L. DISEASE - EA EMPLOYEE	\$
					E.L. DISEASE - POLICY LIMIT	\$
	OTHER					

*10-28-10 Linda Davis*  
 \* For payment purposes Risk Management  
 \* see e-mail from Linda Davis regarding excess policy.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
 10 days notice of cancellation for non-payment of premium. Garden Grove Agency for Community Development and the City of Garden Grove are named as additional insured as respects their interest on the above listed policies. Re: 12162 and 12172 Tamerlane Dr, Garden Grove, CA Form CG2037 07/04 attached. Excess Liability is follow form.

*per e-mail from Underwriter Attached underlying endorsement will cover excess policy.*

<b>CERTIFICATE HOLDER</b> Garden Grove Agency for Community Development 11222 Acacia Pkwy Garden Grove CA 92840	<b>CANCELLATION</b> SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE 
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# MultiCover® - CG 71 58 12 07

Policy Amendment(s) Commercial General Liability Coverage Form

Your Commercial General Liability Coverage Form is revised as follows:

## 1. Broadened Named Insured

A. SECTION II - WHO IS AN INSURED, item 3., is deleted and replaced by the following:

3. Any organization that you own at the inception of this policy, or newly acquire or form during the policy period, and over which you maintain during the policy period majority ownership or majority interest, will qualify as a Named Insured if:

- a. There is no other similar insurance available to that organization; and
- b. The first Named Insured shown in the Declarations has the responsibility of placing insurance for that organization; and
- c. That organization is incorporated or organized under the laws of the United States of America.

However:

- (1) Coverage under this provision 3 is afforded only until the next occurring annual anniversary of the beginning of the policy period shown in the Declarations, or the end of the policy period, whichever is earlier; and
- (2) Coverage A does not apply to **bodily injury** or **property damage** that occurred before you acquired or formed the organization; and

(3) Coverage B does not apply to **personal and advertising injury** arising out of an offense committed before you acquired or formed the organization.

B. SECTION II - WHO IS AN INSURED, the last paragraph, is deleted and replaced by the following:

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture, or limited liability company that is not shown as a Named Insured in the Declarations. However, this does not apply to a limited liability company that meets all of the conditions in Section II - Who Is An Insured, item 3., above.

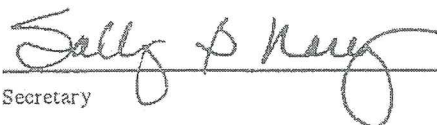
## 2. Additional Insured

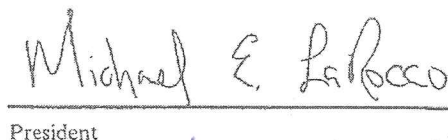
SECTION II - WHO IS AN INSURED, subsection 2.e., is added as follows:

e. Any person or organization is included as an additional insured, but only to the extent such person or organization is held liable for **bodily injury, property damage or personal and advertising injury** caused by your acts or omissions. With respect to the insurance afforded to such insured, all of the following additional provisions apply:

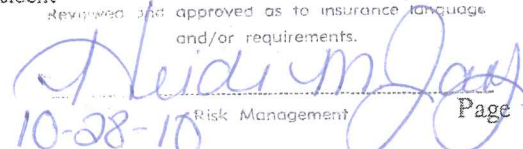
- (1) You and such person or organization have agreed in a written **insured contract** that such person or organization be added as an additional insured under this policy;
- (2) The **bodily injury, property damage or personal and advertising injury** for which said person or organization is held liable occurs subsequent to the execution of such **insured contract**;

This Form must be attached to Change Endorsement when issued after the policy is written.  
One of the Fireman's Fund Insurance Companies® as named in the policy

  
Secretary

  
President

Reviewed and approved as to insurance language and/or requirements.

  
10-28-10 Risk Management



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- (3) The most we will pay is the lesser of either the Limits of Insurance shown in the Declarations or the limits of insurance required by the **insured contract**;
- (4) Such person or organization is an insured only with respect to:
- (a) Their ownership, maintenance, or use of that part of the premises, or land, owned by, rented to, or leased to you, except such person or organization is not an insured with respect to structural alterations, new construction or demolition operations performed by or on behalf of such person or organization;
  - (b) Your ongoing operations performed for that insured;
  - (c) Their financial control of you, except such person or organization is not an insured with respect to structural alterations, new construction or demolition operations performed by or on behalf of such person or organization;
  - (d) The maintenance, operation or use by you of equipment leased to you by such person or organization;
  - (e) Operations performed by you or on your behalf and for which a state or political subdivision has issued a permit, provided such operations are not performed for such state or political subdivision, and are not included within the **products-completed operations hazard**;
- (5) This insurance does not apply to **bodily injury, property damage, personal and advertising injury, occurrence or offense**:
- (a) Which takes place at a particular premises after you cease to be a tenant of that premises;
  - (b) Which takes place after all work, including materials, parts or equipment furnished in connection with such work to be performed by or on

behalf of the additional insured at the site of the covered operations, has been completed;

- (c) Which takes place after that portion of **your work** out of which the injury or damage arises has been put to its intended use by any other person or organization other than another contractor or subcontractor engaged in performing operations for a principal as part of the same project;

- (d) Which takes place after the expiration of any equipment lease to which (4)(d) above applies;

- (6) With respect to architects, engineers or surveyors, coverage does not apply to **bodily injury, property damage or personal and advertising injury** arising out of the rendering or failure to render any professional services by or for you, including:

- (a) The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders, or drawings and specifications;

- (b) Supervisory, inspection, architectural, or engineering services.

However, if an Additional Insured endorsement is attached to this policy that specifically names a person or organization as an insured, then this subsection 2.e. does not apply to such person or organization.

### 3. Additional Insured - Vendors

Unless the **products-completed operations hazard** is excluded from this policy, SECTION II - WHO IS AN INSURED, item 2.f. is added as follows:

- f. Any vendor of yours is included as an additional insured, but only with respect to **bodily injury or property damage** caused by your **products** which are distributed or sold in the regular course of the vendor's business, subject to the following additional exclusions:

- (1) The insurance afforded the vendor does not apply to:





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- (a) **Bodily injury or property damage** for which the vendor is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the vendor would have in the absence of the contract or agreement;
  - (b) Any express warranty unauthorized by you;
  - (c) Any physical or chemical change in the product made intentionally by the vendor;
  - (d) Repackaging, unless unpacked solely for the purpose of inspection, demonstration, testing, or the substitution of parts under instructions from the manufacturer, and then repackaged in the original container;
  - (e) Any failure to make such inspections, adjustments, tests or servicing as the vendor has agreed to make or normally undertakes to make in the usual course of business, in connection with the distribution or sale of the products;
  - (f) Demonstration, installation, servicing or repair operations, except such operations performed by the vendor in full compliance with the manufacturer's written instructions at the vendor's premises in connection with the sale of the product;
  - (g) Products which, after distribution or sale by you, have been labeled or relabeled or used as a container, part or ingredient of any other thing or substance by or for the vendor; or
  - (h) **Bodily injury or property damage** arising out of the liability of the vendor for its own acts or omissions or those of its employees or anyone else acting on its behalf.
- (2) This insurance does not apply to any insured person or organization from whom you have acquired such products or any ingredient, part or container, entering

into, accompanying or containing such products.

However, if an Additional Insured - Vendors endorsement is attached to this policy that specifically names a person or organization as an insured, then this subsection 2.f. does not apply to that person or organization.

4. **Additional Insured - Limited Primary and Non-contributory Provision**

The following is added as a second paragraph to Section IV Conditions, Condition 4. Other Insurance, following paragraph b.(2):

However, if you have added any person, organization or vendor of yours as an additional insured to this policy by way of this MultiCover® endorsement and have agreed in a written **insured contract** that this insurance is primary and non-contributory with other insurance available to that additional insured, this insurance is primary and we will not seek contribution from such additional insured's other insurance. This provision does not apply to other insurance to which such additional insured has been added as an additional insured.

5. **Waiver of Subrogation**

SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS, item 8., is deleted and replaced by the following:

8. **Transfer of Rights of Recovery Against Others to Us and Blanket Waiver of Subrogation**

- a. If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after the loss to impair those rights. At our request, the insured will bring **suit** or transfer those rights to us and help us enforce them.
- b. If required by a written **insured contract** executed prior to the **occurrence** or offense, we waive any right of recovery we may have against any person or organization named in such **insured contract**, because of payments we make for injury or damage arising out of your operations or **your work** for that person or organization.

6. **Cancellation - 120 Days**

Common Policy Conditions endorsement IL0017, A. Cancellation, item 2.b. is deleted and replaced by the following:

- b. 120 days before the effective date of cancellation if we cancel for any other reason.

7. **Liberalization**

**SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS**, the following is added as an additional Condition:

**Liberalization**

If we adopt a change in our forms or rules which would broaden the coverage provided by any form that is a part of this policy without an extra premium charge, the broader coverage will apply to this policy. This extension is effective upon the approval of such broader coverage in your state.

8. **Fire, Explosion, Sprinkler Leakage, or Lightning Legal Liability Coverage**

A. **SECTION I - COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY**, 2. Exclusions, the last paragraph, is deleted and replaced by the following:

Exclusions c. through n. do not apply to damage by fire, explosion, sprinkler leakage, or lightning to premises while:

- 1. Rented to you;
- 2. Temporarily occupied by you with the permission of the owner; or
- 3. Managed by you under a written agreement with the owner.

A separate limit of insurance applies to this coverage as described in Section III - LIMITS OF INSURANCE.

B. **SECTION III - LIMITS OF INSURANCE**, item 6., is deleted and replaced by the following:

- 6. Subject to 5. above, the Damage to Premises Rented To You Limit shown

in the Declarations, for **property damage** to any one premises while rented to you, or in the case of damage by fire, explosion, sprinkler leakage, or lightning while rented to you, temporarily occupied by you with the permission of the owner, or managed by you under a written agreement with the owner, is the greater of:

- a. \$1,000,000 Any One Premises; or
- b. The Damage To Premises Rented To You Limit shown in the Declarations.

C. **SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS**, 4. Other Insurance, b. Excess Insurance, (1)(a), items (i) and (iii), are deleted and replaced by the following:

- (i) That is Fire, Explosion, Sprinkler Leakage, or Lightning insurance for premises while rented to you, temporarily occupied by you with permission of the owner, or managed by you under a written agreement with the owner;
- (iii) That is insurance purchased by you to cover your liability as a tenant for **property damage** to premises rented to you, temporarily occupied by you with the permission of the owner, or managed by you under a written agreement with the owner; or

D. **SECTION V - DEFINITIONS**, 9. **Insured Contract**, item a., is deleted and replaced by the following:

- (a) A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire, explosion, sprinkler leakage, or lightning to premises while rented to you, temporarily occupied by you with permission of the owner, or managed by you under a written agreement with the owner, is not an **insured contract**;

9. **Damage to Invitees' Automobiles from Falling Trees or Tree Limbs - Limited Coverage**

This coverage applies to direct physical damage to automobiles owned by invitees subject to all of the following:

1. Provided such damage originates from trees on premises owned, managed, leased or rented by an insured;
2. Coverage applies only to invitees of an insured or an insured's tenant;
3. Such damage is directly caused by wind-driven falling trees or tree limbs;
4. The most we will pay for any one loss is the lowest of:
  - a. the actual cash value of the damaged automobile as of the time of the loss; or
  - b. the cost of repairing the damaged automobile; or
  - c. the cost of replacing the damaged automobile with another automobile of like kind and quality.

Regardless of the number of occurrences, losses or claims, this coverage is subject to a limit of \$25,000 in any one policy period;

5. This coverage is not subject to the General Liability General Aggregate Limit; and
  6. We will make payments under this coverage without regard to fault.
10. **Non-Owned or Chartered Watercraft**

SECTION I - COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY, 2. Exclusions, item g. Aircraft, Auto, or Watercraft, item (2), is deleted and replaced by the following:

- (2) A watercraft you do not own that is:
  - (a) Less than 51 feet long; and
  - (b) Not being used for public transportation or as a common carrier;

11. **Chartered Aircraft**

SECTION I - COVERAGES, COVERAGE A BODILY INJURY AND PROPERTY DAMAGE LIABILITY, 2. Exclusions, g. Aircraft, Auto Or Watercraft, item (6), is added as follows:

- (6) An aircraft in which you have no ownership interest and that you have chartered with crew.

12. **Coverage Territory - Broadened**

SECTION V - DEFINITIONS, item 4.a., is deleted and replaced by the following:

- a. The United States of America (including its territories and possessions), Puerto Rico, Canada, Bermuda, the Bahamas, The Cayman Islands, and the British Virgin Islands;

13. **Personal and Advertising Injury - Contractual**

Unless personal and advertising injury is excluded from this policy the following applies:

SECTION I - COVERAGES, COVERAGE B, 2. Exclusions, item e., is deleted.

14. **Fellow Employee Coverage**

SECTION II - WHO IS AN INSURED, 2.a., item (1) is deleted and replaced by the following:

- (1) **Personal and advertising injury:**

However, subsections (a), (b), (c) and (d) of item (1) remain unchanged.

15. **Bodily Injury Definition - Broadened**

SECTION V - DEFINITIONS, 3. **Bodily Injury** is deleted and replaced by the following:

**Bodily injury** means bodily injury, sickness or disease sustained by a person including death or mental anguish resulting from any of these at any time. Mental anguish means any type of mental or emotional illness or disease.

16. **Expected or Intended Injury - Amendment to Exclusion**

SECTION I. Coverage A Bodily Injury and Property Damage Liability, 2. EXCLUSIONS, a. Expected or Intended Injury, is deleted and replaced by the following:



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a. Expected or Intended Injury

**Bodily injury or property damage** expected or intended from the standpoint of the insured.

This exclusion does not apply to **bodily injury or property damage** resulting from the use of reasonable force to protect persons or property.

17. Unintentional Failure to Disclose Hazards

SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS, item 6. Representations, the following is added:

- d. If you unintentionally fail to disclose any hazards existing at the inception date of this policy, we will not deny coverage under this Coverage Form because of such failure. However, this provision does not affect our right to collect additional premium or exercise our right of cancellation or non-renewal.

18. Supplementary Payments - Increased Limits

SECTION I - COVERAGES, SUPPLEMENTARY PAYMENTS - COVERAGES A AND B, items 1.b. and 1.d., are deleted and replaced by the following:

- b. The cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.
- d. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or suit, including substantiated loss of earnings up to \$500 a day because of time off from work.

19. Duties in the Event of an Occurrence, Offense, Claim or Suit - Amended

SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS, item 2.a. is deleted and replaced by the following:

- (1) You must see to it that we or any licensed agent of ours are notified of a General Liability occurrence or offense which may result in a claim as soon as practicable after it becomes known to:

- (a) You, if you are an individual;
- (b) Your partner or member, if you are a partnership or joint venture;
- (c) Your member, if you are a limited liability company;
- (d) Your executive officer if you are an organization other than a partnership, joint venture or limited liability company; or
- (e) Your authorized representative or insurance manager.

Knowledge of an occurrence or offense by persons other than those listed above does not imply that those listed above also have such knowledge.

- (2) To the extent possible, notice should include:
- (a) How, when and where the occurrence or offense took place;
- (b) The names and addresses of any injured persons and witnesses; and
- (c) The nature and location of any injury or damage arising out of the occurrence or offense.

20. Non Employment Discrimination Liability

Unless personal and advertising injury is excluded from this policy the following applies:

- A. SECTION V - DEFINITIONS, 14. Personal and advertising injury, item h. is added as follows:

h. Discrimination.

- B. SECTION V - DEFINITIONS, item 23. is added as follows:

23. Discrimination means the unlawful treatment of a person or class of persons because of their specific race, color, religion, gender, age, or national origin in comparison to one or more persons who are not members of the specified class.

- C. SECTION I - COVERAGES, COVERAGE B PERSONAL AND ADVERTISING INJURY LIABILITY, 2. Exclusions, the following are added:



- q. **Discrimination** directly or indirectly related to the past employment, employment or prospective employment of any person or class of persons by any insured;
- r. **Discrimination** directly or indirectly related to the sale, rental, lease or sublease or prospective sale, rental, lease or sublease of any dwelling or permanent lodging by or at the direction of any insured;
- s. **Discrimination**, if insurance thereof is prohibited by law; or
- t. Fines, penalties, specific performance, or injunctions levied or imposed by a governmental entity, governmental code, law, or statute because of **discrimination**.

21. **Medical Payments**

Unless **COVERAGE C MEDICAL PAYMENTS**, or the **products-completed operations hazard** has been excluded from this policy the following applies:

A. **SECTION I - COVERAGES, COVERAGE C MEDICAL PAYMENTS**, 2. Exclusions, item f., is deleted and replaced by the following:

f. **Products-Completed Operations Hazard**  
 Included within the **products-completed operations hazard**. However, this exclusion does not apply to expenses for dental services.

B. **Section I - COVERAGES, COVERAGE C MEDICAL PAYMENTS**, is amended to include item 3. as follows:

3. **Limit of Insurance**

The Medical Expense Limit of Insurance shall be the greater of:

- a. \$20,000 Any One Person; or
- b. The amount shown in the Declarations.

\* 7 1224 0 000000 1 0

INSUR

CG P154 B11K901

CIZ 1

02230B

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

### ADDITIONAL INSURED – OWNERS, LESSEES OR CONTRACTORS – COMPLETED OPERATIONS

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

#### SCHEDULE

Name Of Additional Insured Person(s) Or Organization(s):	Location And Description Of Completed Operations
Garden Grove Agency for Community Development Attn: Risk Management 11222 Acacia Pkwy Garden Grove, CA 92840	12162 And 12172 Tamerlane Drive, Garden Grove, CA 92840
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

**Section II – Who Is An Insured** is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury" or "property damage" caused, in whole or in part, by "your work" at the location designated and described in the schedule of this endorsement performed for that additional insured and included in the "products-completed operations hazard".

Reviewed and approved as to insurance language  
and/or requirements.

10-28-10 *Heidi M. Jay*  
Risk Management

POLICY NUMBER: MXX80912715

COMMERCIAL AUTO  
CA 20 48 02 99

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

### DESIGNATED INSURED


This endorsement modifies insurance provided under the following:

BUSINESS AUTO COVERAGE FORM  
GARAGE COVERAGE FORM  
MOTOR CARRIER COVERAGE FORM  
TRUCKERS COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by this endorsement.

This endorsement identifies person(s) or organization(s) who are "insureds" under the Who Is An Insured Provision of the Coverage Form. This endorsement does not alter coverage provided in the Coverage Form.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

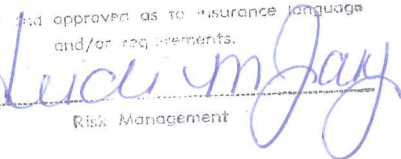
Endorsement Effective: 11/1/09	Countersigned By:  (Authorized Representative)
Named Insured: Tamerlane Associates, LLC	

#### SCHEDULE

Name of Person(s) or Organization(s): Garden Grove Agency for Community Development
--

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to the endorsement.)

Each person or organization shown in the Schedule is an "insured" for Liability Coverage, but only to the extent that person or organization qualifies as an "insured" under the Who Is An Insured Provision contained in Section II of the Coverage Form.

10-28-10   
Risk Management





# Chubb Commercial Excess Follow-Form Insurance

## Declarations

Chubb Group of Insurance Companies  
15 Mountain View Road  
Warren, NJ 07059

### Named Insured and Mailing Address

VISTA COMMUNITIES, INC. & TAMERLANE ASSOCIATES  
14 CORPORATE PLAZA, SUITE 100 LLC  
NEWPORT BEACH, CA 92660

Policy Number 7985-32-20 WUC

Issued by the stock insurance company indicated below, herein called the company.

### FEDERAL INSURANCE COMPANY

Producer No. 0006399-99999

Incorporated under the laws of Indiana

Producer CLARKE MARINE INSURANCE AGENCY  
245 FISCHER AVENUE, #D-8  
COSTA MESA, CA 92626-0000

## Policy Period

From: NOVEMBER 01, 2009 To: NOVEMBER 01, 2010  
12:01 A.M. standard time at the Named Insured's mailing address shown above.

## Premium

\$

## Limits Of Insurance

Other Aggregate Limit (as applicable)	\$	3,000,000.
Products Completed Operations Aggregate Limit	\$	3,000,000.
Each Occurrence Limit	\$	3,000,000.

## Underlying Limits Of Insurance

(Includes Controlling Underlying Limits Of Insurance)

### Total Underlying Limits

	Limits
Each Occurrence Limit	\$ 1,000,000.
General Aggregate Limit	\$ 2,000,000.
Products Completed Operations Aggregate Limit	\$ 2,000,000.
Personal Injury and Advertising Injury	\$ 1,000,000.

Reviewed and approved as to insurance language and/or requirements.

10-28-10 *Heidi M. Jay*



**Controlling Underlying Insurance(s)**

*Description*

*Limits*

**Commercial General Liability**

Company FIREMAN'S FUND INSURANCE COMPANY

Policy Number MXX80912715

Policy Period From 11/01/2009 To: 11/01/2010

Limits Of Insurance

Each Occurrence Limit	\$	1,000,000.
General Aggregate Limit (where applicable)	\$	2,000,000.
Products Completed Operations Aggregate Limit	\$	2,000,000.
Personal Injury and Advertising Injury Occurrence	\$	1,000,000.

**Authorization**

In Witness Whereof, the company issuing this policy has caused this policy to be signed by its authorized officer, but this policy shall not be valid unless also signed by a duly authorized representative of the company.

**FEDERAL INSURANCE COMPANY**

*W. Andrew Mason*

Secretary

*Thomas F. Moloney*

President

Authorized Representative

Date August 5, 2009

*Robert Hamburger*



P.O. BOX 420807, SAN FRANCISCO, CA 94142-0807

CERTIFICATE OF WORKERS' COMPENSATION INSURANCE

ISSUE DATE: 09-03-2010

GROUP:  
POLICY NUMBER: 1750624-2010  
CERTIFICATE ID: 2  
CERTIFICATE EXPIRES: 09-01-2011  
09-01-2010/09-01-2011

GARDEN GROVE AGENCY FOR  
COMMUNITY DEVELOPMENT  
11277 GARDEN GROVE BLVD STE 101C  
GARDEN GROVE CA 92843-1371

SG

This is to certify that we have issued a valid Workers' Compensation insurance policy in a form approved by the California Insurance Commissioner to the employer named below for the policy period indicated.

This policy is not subject to cancellation by the Fund except upon 30 days advance written notice to the employer.

We will also give you 30 days advance notice should this policy be cancelled prior to its normal expiration.

This certificate of insurance is not an insurance policy and does not amend, extend or alter the coverage afforded by the policy listed herein. Notwithstanding any requirement, term or condition of any contract or other document with respect to which this certificate of insurance may be issued or to which it may pertain, the insurance afforded by the policy described herein is subject to all the terms, exclusions, and conditions, of such policy.

*James Neary*  
Authorized Representative

*Douglas V Stewart*  
Interim President and CEO

EMPLOYER'S LIABILITY LIMIT INCLUDING DEFENSE COSTS: \$1,000,000 PER OCCURRENCE.

ENDORSEMENT #1600 - CHARLES H. FRY PRES, SEC, TRES - EXCLUDED.

ENDORSEMENT #2065 ENTITLED CERTIFICATE HOLDERS' NOTICE EFFECTIVE 09-03-2010 IS ATTACHED TO AND FORMS A PART OF THIS POLICY.

ENDORSEMENT #2570 ENTITLED WAIVER OF SUBROGATION EFFECTIVE 2010-09-03 IS ATTACHED TO AND FORMS A PART OF THIS POLICY. THIRD PARTY NAME:  
GARDEN GROVE AGENCY FOR

EMPLOYER

VISTA COMMUNITIES, INC.  
14 CORPORATE PLAZA DR STE 100  
NEWPORT BEACH CA 92660

SG

Reviewed and approved as to insurance language and/or requirements.

10-28-10 *Heidi M. Jay*  
Risk Management

[B17,SG]

PRINTED : 09-03-2010

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

PRODUCER CLARKE MARINE INSURANCE 245 FISCHER AVENUE, SUITE D-8 COSTA MESA CA 92626 Clarke Marine Insurance		PHONE/FAX (A/C, No, Ext): 714-444-2679 / 714-444-0176	COMPANY Fireman's Fund Insurance Co <i>A, XV, D</i> P.O. Box 19500 Irvine CA 92623-9500	
CODE:	SUB CODE:			
AGENCY CUSTOMER ID #: VISTA-4		LOAN NUMBER	POLICY NUMBER MXX80912715	
INSURED Tamerlane Associates, LLC Attn: Chuck Fry 14 Corporate Plaza, Ste 100 Newport Beach CA 92660		EFFECTIVE DATE 11/01/09	EXPIRATION DATE 11/01/10	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
THIS REPLACES PRIOR EVIDENCE DATED:				

**PROPERTY INFORMATION**  
LOCATION/DESCRIPTION  
001  
12172 Tamerlane Drive  
Garden Grove CA 92840

COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Building/Replacement Cost/Special Form Terrorism coverage is included	525,000	5,000
Employee Theft- \$25,000. per occurrence \$50,000. annual agg		

**REMARKS (Including Special Conditions)**  
Subject to policy terms and conditions. 10 days notice of cancellation for non-payment of premium.  
Named Insured: Tamerlane Associates, LLC a California Limited Liability Company

Reviewed and approved as to insurance language and/or requirements.  
*Heidi Jay*  
Risk Management  
10-28-10 \* For payment purposes + this pol. period only.

**CANCELLATION**  
THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

**ADDITIONAL INTEREST**  
NAME AND ADDRESS  
Garden Grove Agency for Community Development  
11222 Acacia Pkw  
Garden Grove CA 92840

MORTGAGEE	ADDITIONAL INSURED
<input checked="" type="checkbox"/> LOSS PAYEE	2nd
LOAN #	
AUTHORIZED REPRESENTATIVE <i>JDR</i>	



THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

PRODUCER <b>CLARKE MARINE INSURANCE</b> 245 FISCHER AVENUE, SUITE D-8 COSTA MESA CA 92626 Clarke Marine Insurance	PHONE/FAX (A/C, No, Ext): 714-444-2679 / 714-444-0176	COMPANY <b>Fireman's Fund Insurance Co</b> P.O. Box 19500 Irvine CA 92623-9500
CODE: _____ SUB CODE: _____	AGENCY CUSTOMER ID #: <b>VISTA-4</b>	INSURED <b>Tamerlane Associates, LLC</b> Attn: Chuck Fry 14 Corporate Plaza, Ste 100 Newport Beach CA 92660
	LOAN NUMBER	POLICY NUMBER <b>MX80912715</b>
	EFFECTIVE DATE <b>11/01/09</b>	EXPIRATION DATE <b>11/01/10</b>
	<input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED	
THIS REPLACES PRIOR EVIDENCE DATED:		

**PROPERTY INFORMATION**

LOCATION/DESCRIPTION  
**001**

**12162 Tamerlane Drive**  
**Garden Grove CA 92840**

COVERAGE/PERILS/FORMS	AMOUNT OF INSURANCE	DEDUCTIBLE
Building/Replacement Cost/Special Form Terrorism coverage is included	525,000	5,000
Employee Theft - \$25,000 per occurrence \$50,000. annual aggregate		

**REMARKS (Including Special Conditions)**  
Subject to policy terms and conditions. 10 days notice of cancellation for non-payment of premium.

Insured: Tamerlane Associates, LLC a California Limited Liability Company

*Reviewed and approved as to insurance language and/or requirements.*  
**10-28-10** *Heidi M. Jay*  
*\* For payment purposes + Risk Management this policy period only.*

**CANCELLATION**

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW 30 DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

**ADDITIONAL INTEREST**

NAME AND ADDRESS	MORTGAGEE	ADDITIONAL INSURED
Garden Grove Agency for Community Development 11222 Acacia Pkwy Garden Grove CA 92840	<input checked="" type="checkbox"/> LOSS PAYEE	<input checked="" type="checkbox"/> 2nd
	LOAN #	
	AUTHORIZED REPRESENTATIVE <i>[Signature]</i>	



**LENDER'S LOSS PAYABLE ENDORSEMENT**

1. Loss or damage, if any, under this policy shall be paid to Garden Grove Agency for Community Development  
11222 Acacia Pkwy, Garden Grove, CA 92840

its successors and assigns, hereinafter referred to as "the Lender," in whatever form or capacity its interests may appear and whether said interest be vested in said Lender in its individual or in its disclosed or undisclosed fiduciary or representative capacity, or otherwise, or vested in a nominee or trustee of said Lender.

2. The insurance under this policy, or any rider or endorsement attached thereto, as to the interest only of the Lender, its successors and assigns, shall not be invalidated nor suspended: (a) by any error, omission, or change respecting the ownership, description, possession, or location of the subject of the insurance or the interest therein, or the title thereto; (b) by the commencement of foreclosure proceedings or the giving of notice of sale of any of the property covered by this policy by virtue of any mortgage or trust deed; (c) by any breach of warranty, act, omission, neglect, or non-compliance with any of the provisions of this policy, including any and all riders now or hereafter attached thereto, by the named insured, the borrower, mortgagor, trustor, vendee, owner, tenant, warehouseman, custodian, occupant, or by the agents of either or any of them or by the happening of any event permitted by them or either of them, or their agents, or which they failed to prevent, whether occurring before or after the attachment of this endorsement, or whether before or after a loss, which under the provisions of this policy of insurance or of any rider or endorsement attached thereto would invalidate or suspend the insurance as to the named insured, excluding herefrom, however, any acts or omissions of the lender while exercising active control and management of the property.

3. In the event of failure of the insured to pay any premium or additional premium which shall be or become due under the terms of this policy or on account of any change in occupancy or increase in hazard not permitted by this policy, this Company agrees to give written notice to the Lender of such non-payment of premium after sixty (60) days from and within one hundred and twenty (120) days after due date of such premium and it is a condition of the continuance of the rights of the Lender hereunder that the Lender when so notified in writing by this Company of the failure of the insured to pay such premium shall pay or cause to be paid the premium due within ten (10) days following receipt of the Company's demand in writing therefor. If the Lender shall decline to pay said premium or additional premium, the rights of the Lender under this Lender's Loss Payable Endorsement shall not be terminated before ten (10) days after receipt of said written notice by the Lender.

4. Whenever this Company shall pay to the Lender any sum for loss or damage under this policy and shall claim that as to the insured no liability therefor exists, this Company, at its option, may pay to the Lender the whole principal sum and interest and other indebtedness due or to become due from the insured, whether secured or unsecured, (with refund of all interest not accrued), and this Company, to the extent of such payment, shall thereupon receive a full assignment and transfer, without recourse, of the debt and all rights and securities held as collateral thereto.

5. If there be any other insurance upon the within described property, this Company shall be liable under this policy as to the Lender for the proportion of such loss or damage that the sum hereby insured bears to the entire insurance of similar character on said property under policies held by, payable to and expressly consented to by the Lender. Any Contribution Clause included in any Fallen Building Clause Waiver or any Extended Coverage Endorsement attached to this contract of insurance is hereby nullified, and also any Contribution Clause in any other endorsement or rider attached to this contract of insurance is hereby nullified except Contribution Clauses for the compliance with which the insured has received reduction in the rate charged or has received extension of the coverage to include hazards other than fire and compliance with such Contribution Clause is made a part of the consideration for insuring such other hazards. The Lender upon the payment to it of the full amount of its claim, will subrogate this Company (pro rata with all other insurers contributing to said payment) to all of the Lender's rights of contribution under said other insurance.

6. This Company reserves the right to cancel this policy at any time, as provided by its terms, but in such case this policy shall continue in force for the benefit of the Lender for ten (10) days after written notice of such cancellation is received by the Lender and shall then cease.

7. This policy shall remain in full force and effect as to the interest of the Lender for a period of ten (10) days after its expiration unless an acceptable policy in renewal thereof with loss thereunder payable to the Lender in accordance with the terms of this Lender's Loss Payable Endorsement, shall have been issued by some insurance company and accepted by the Lender.

8. Should legal title to and beneficial ownership of any of the property covered under this policy become vested in the Lender or its agents, insurance under this policy shall continue for the term thereof for the benefit of the Lender but, in such event, any privileges granted by this Lender's Loss Payable Endorsement which are not also granted the insured under the terms and conditions of this policy and/or under other riders or endorsements attached thereto shall not apply to the insurance hereunder as respects such property.

9. All notices herein provided to be given by the Company to the Lender in connection with this policy and this Lender's Loss Payable Endorsement shall be mailed to or delivered to the Lender at its office or branch at.....

or, if none be specified, at its head office at As Above

Attached to Policy No. MX80912715 of Fireman's Fund Insurance Company

Issued to Tamerlane Associates, LLC

Agency at Costa Mesa, CA

Date 10/26/10

Approved:

Board of Fire Underwriters of the Pacific,  
California Bankers' Association,  
Committee on Insurance.

Clarke Marine Insurance Agent.

Reviewed and approved as to insurance language and/or requirements.

10-28-10 Heidi M. Jay  
Risk Management

**Heidi Janz**

**From:** ldavis@cmgis.com  
**Sent:** Wednesday, October 27, 2010 8:42 AM  
**To:** heidij@ci.garden-grove.ca.us  
**Cc:** 'Chuck Fry'  
**Subject:** Tamerlane Associates, LLC

Heidi: Below is the response I received from the excess liability underwriter regarding the additional insured endorsement that you are requiring. Please note the carrier does not have an actual endorsement. How do you wish to proceed?

**Linda Davis**



245 Fischer Avenue, Suite D-8 • Costa Mesa, CA 92626  
Phone 714.444.2679 • Fax 714.444.0176  
Email [ldavis@cmgis.com](mailto:ldavis@cmgis.com)

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---

**From:** styler@chubb.com [mailto:styler@chubb.com]  
**Sent:** Wednesday, October 27, 2010 7:56 AM  
**To:** ldavis@cmgis.com  
**Subject:** Re: Vista Communities

Hi Linda! We don't have an additional insured form available. The reason is because our excess policy is follow form. If the entity is listed as an additional on the underlying policie(s), then they are an additional insured on our policy. Thanks!

Shannon Tyler  
CAS Endorsement Underwriter  
623-580-2455  
styler@chubb.com  
Chubb & Son

*Handwritten in blue ink: A circled signature and the date 10-28-10.*

---

From: <ldavis@cmgis.com>  
To: <styler@chubb.com>  
Date: 10/27/2010 07:50 AM  
Subject: Vista Communities

Shannon: Does Chubb have an additional insured endorsement form for the excess follow form policy. I am being bugged to death by the City of Garden Grove for an endorsement for the Tamerlane Associates properties as part of the contract requirements. Is there anything like that available? Please advise.

Thanks.

**Linda Davis**



245 Fischer Avenue, Suite D-8 • Costa Mesa, CA 92626

Phone 714.444.2679 • Fax 714.444.0176

Email [ldavis@cmgis.com](mailto:ldavis@cmgis.com)

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AFFORDABLE HOUSING LOAN AGREEMENTS WITH TAMERLANE ASSOCIATES, LLC,  
FOR THE PURCHASE AND REHABILITATION OF RENTAL PROPERTIES LOCATED AT  
12162 AND 12172 TAMERLANE DRIVE, GARDEN GROVE (F: 117.16W)  
(XR: A-55.193) (XR: 43.4)

Staff report dated February 9, 2010, was introduced.

RESOLUTION NO. 679

It was moved by Member Nguyen, seconded by Member Dalton, and carried by unanimous vote that full reading of Resolution No. 679 be waived, and said Resolution entitled A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT APPROVING AN AFFORDABLE HOUSING LOAN AGREEMENT BETWEEN THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT AND TAMERLANE ASSOCIATES, LLC, AND MAKING CERTAIN OTHER FINDINGS IN CONNECTION THEREWITH, be and hereby is adopted.

RESOLUTION NO. 680

It was moved by Member Nguyen, seconded by Member Dalton, and carried by unanimous vote that full reading of Resolution No. 680 be waived, and said Resolution entitled A RESOLUTION OF THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT APPROVING AN AFFORDABLE HOUSING LOAN AGREEMENT BETWEEN THE GARDEN GROVE AGENCY FOR COMMUNITY DEVELOPMENT AND TAMERLANE ASSOCIATES, LLC, AND MAKING CERTAIN OTHER FINDINGS IN CONNECTION THEREWITH, be and hereby is adopted.





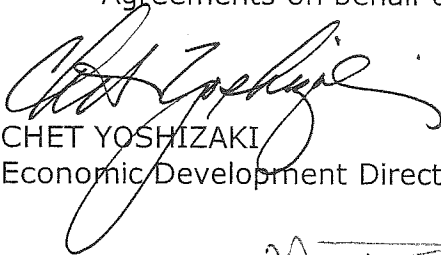
either property). Under both Agreements, the Agency loans shall accrue simple interest at the rate of three percent (3%) per annum. Payments of the Agency loans shall be made on an annual basis from seventy-five percent (75%) of the residual cash flow ("Net Profits") from the operation of the properties until the entire principal amount of the Promissory Note is repaid in full.

FINANCIAL IMPACT

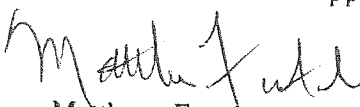
- Pursuant to the AHAs, Agency assistance is in the amount of \$592,076 (plus a developer fee of \$32,000) for a total of \$624,076 for the property located 12162 Tamerlane Drive and \$980,646 (plus a developer fee of \$50,000) for a total of \$1,030,649 for the property located at 12172 Tamerlane Drive to be financed using Redevelopment/Housing Set Aside Fund.

RECOMMENDATION

- Adopt the attached Resolutions approving the Affordable Housing Agreements and authorizing the Agency Director to execute the Agreements on behalf of the Agency.

  
CHET YOSHIZAKI  
Economic Development Director

Recommended for Approval

  
Matthew Ferial  
Director

By:   
Greg Brown  
Redevelopment Manager

Attachment 1: Resolution 12162 Tamerlane Drive  
Attachment 2: Resolution 12172 Tamerlane Drive  
Attachment 3: Affordable Housing Agreement 12162 Tamerlane Drive  
Attachment 4: Affordable Housing Agreement 12172 Tamerlane Drive  
Attachment 5: Map

AFFORDABLE HOUSING LOAN AGREEMENTS WITH TAMERLANE ASSOCIATES, LLC,  
FOR THE PURCHASE AND REHABILITATION OF RENTAL PROPERTIES LOCATED AT  
12162 AND 12172 TAMERLANE DRIVE, GARDEN GROVE (F: 117.16W)  
(XR: A-55.193) (XR: 43.4)

Staff indicated that the Developer requested this matter be postponed.



either property). Under both Agreements, the Agency loans shall accrue simple interest at the rate of three percent (3%) per annum. Payments of the Agency loans shall be made on an annual basis from seventy-five percent (75%) of the residual cash flow ("Net Profits") from the operation of the properties until the entire principal amount of the Promissory Note is repaid in full.

FINANCIAL IMPACT

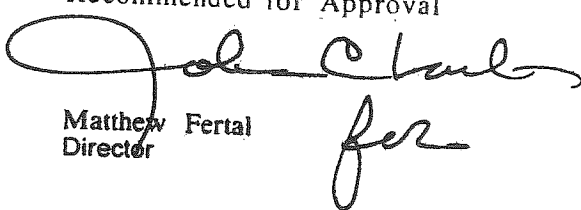
- Pursuant to the AHAs, Agency assistance is in the amount of \$624,076 for the property located 12162 Tamerlane Drive and \$1,030,649 for the property located at 12172 Tamerlane Drive to be financed using Redevelopment/Housing Set Aside Fund.

RECOMMENDATION

- Adopt the attached Resolutions approving the Affordable Housing Agreements and authorizing the Agency Director to execute the Agreements on behalf of the Agency.

  
CHET YOSHIZAKI  
Economic Development Director

By: Greg Brown   
Redevelopment Manager

Recommended for Approval  
  
Matthew Fertal  
Director

Attachment 1: Resolution 12162 Tamerlane Drive  
Attachment 2: Resolution 12172 Tamerlane Drive  
Attachment 3: Affordable Housing Agreement 12162 Tamerlane Drive  
Attachment 4: Affordable Housing Agreement 12172 Tamerlane Drive  
Attachment 5: Map

Site Map

