



**REPORT TO REPORT TO COUNCIL
AND HOUSING AUTHORITY**

City of Sacramento

915 I Street, Sacramento, CA 95814-2671

www.CityofSacramento.org

Consent

March 27, 2012

**Honorable Mayor and Members of the City Council
Honorable Chair and Members of the Housing Authority**

Title: Approval of Bond and Financing Documents for Kelsey Village

Location/Council District: 2830 Stockton Boulevard; Council District 5

Recommendation: Adopt 1) a **Housing Authority Resolution** a) approving documents authorizing up to \$4,000,000 in tax-exempt bonds to finance new construction of the 20-unit Kelsey Village development and, b) authorizing the Executive Director or her designee to execute all necessary documents associated with the transaction; 2) a **Housing Authority Resolution** a) authorizing the Executive Director or her designee to execute a carry back acquisition loan in the amount of \$295,000 with Satellite Housing, Inc., or related entity and, b) authorizing the Executive Director or her designee to execute all necessary documents associated with the transaction; 3) a **Council Resolution** a) authorizing the Sacramento Housing and Redevelopment Agency (Agency) to execute an Agency loan with the Satellite Housing, Inc., or related entity, of up to \$2,100,000 comprised of up to \$1,600,000 City Home Investment Partnership (HOME) funds and up to \$500,000 City Housing Trust Fund (HTF) funds, and b) authorizing the Agency to execute all necessary documents associated with the transaction.

Contact: Christine Weichert, Assistant Director, Development Finance, 440-1353;
Jeree Glasser-Hedrick, Program Manager, Development Finance, 440-1302

Department: Sacramento Housing and Redevelopment Agency

Description/Analysis

Issue: The Kelsey Village project is located at 2830 Stockton Boulevard in the Oak Park neighborhood and is currently owned by the Housing Authority. On October 5, 2010 the Housing Authority approved an Exclusive Right to Negotiate agreement (ERN) with Satellite Housing, Inc. and Domus Development, LLC for demolition and new construction of a multifamily development on the site. On August 9, 2011 the City Council and Housing Authority approved a Disposition and Development Agreement (DDA), Funding Commitment, and a bond issuance for the project.

Approval of Bond and Financing Documents for Kelsey Village

Since the approval in August, the Kelsey Village Project has received all entitlements and necessary financing commitments for the \$5.6 million project including \$1,329,500 in a United States Department of Housing and Urban Development (HUD) 811 Firm Commitment, \$1,816,220 in Low Income Housing Tax Credit equity, and \$2,822,000 in tax exempt mortgage revenue bonds.

Housing Authority action is required to approve the bond documents, provide final authorization for the issuance of tax-exempt bonds, and to approve the terms and form of the \$295,000 Housing Authority seller carry-back loan. Council approval is needed for the Agency to execute the construction and permanent Loan Agreement.

The proposed Kelsey Village project consists of the demolition of a former motel and construction of a two-story residential building containing 20 units. Proposed amenities include a community room, laundry facility, lounge, activities room, a management/leasing office, and an exterior maintenance shop. Vicinity map and site plans are provided as Attachments 1 and 2.

The project is proposed to be funded with tax-exempt mortgage revenue bonds, four percent Low Income Housing Tax Credit (LIHTC) equity, a US Department of Housing and Urban Development Section 811 Capital Advance (HUD 811 Funding), a seller carry back acquisition loan from the Housing Authority, a Sacramento Housing and Redevelopment Agency (Agency) loan, and a deferred developer fee. The bonds, tax credits, and Agency loan together will require the 20 units to be affordable to individuals earning 50 percent or less of the Area Median Income (AMI). The HUD 811 Funding will also provide the project with a rental assistance contract (PRAC) for 10 of the units for a term of five years coupled with the ability to renew in five year increments thereafter. The bond, tax credit, and Agency loan affordability restrictions would continue in effect for the remainder of their 55-year terms.

Further background on the project, developer and the property is included as Attachment 3. A project summary, including a proposed sources and uses of funds, is included as Attachment 4 and maximum rent and income limits are included in Attachment 5.

Policy Considerations: The recommended actions are generally consistent with the approved Agency tax exempt bond and multi-family loan policies. The term of the seller carry back acquisition loan and construction and permanent loan has been extended to 55 years and the owner may elect to prepay a portion of the monitoring fee in order to make the project compatible with HUD 811 and investor financing requirements. Regulatory restrictions on the property will be specified in bond and loan regulatory agreements with the Housing Authority and the Agency, respectively. Compliance with the regulatory agreements will be monitored by the Agency on a regular basis for 55 years.

Approval of Bond and Financing Documents for Kelsey Village

Environmental Considerations:

California Environmental Quality Act (CEQA): The project is categorically exempt per CEQA Guidelines section 15332 as an infill project because the site is not more than five acres, is substantially surrounded by urban uses, the project is consistent with the General Plan and will not result in any significant impacts of traffic, noise, air quality or water quality.

Sustainability Considerations: The Kelsey Village Project has been reviewed for consistency with the goals, policies, and targets of the Sustainability Master Plan and the 2030 General Plan. If approved, the contents of this report will advance the following goals, policies and targets: the project supports Goal number five – Public health and Nutrition, specifically Target number five which calls for the redevelopment or rehabilitation of areas within the city or aged city facilities that were constructed based on old, wasteful, and/or dysfunctional designs to achieve better results for people and the environment.

Other: An Environmental Assessment was prepared and a Finding of No Significant Impact was made for the Agency's HOME loan funding per National Environmental Policy Act (NEPA) requirements pursuant to 24 CFR Part 58. The Authority to Use Grant Funds and Certification was executed by the U.S. Department of Housing and Urban Development on October 11, 2011. Therefore, no further environmental review is required.

Rationale for Recommendation: The actions recommended in this report enable the Agency to continue to fulfill its mission to provide a range of affordable housing opportunities in the City.

Financial Considerations: The proposed bond issuance will not be an obligation of the City, the Housing Authority, or the Sacramento Housing and Redevelopment Agency. The bonds will be an obligation solely of the project and the owner who will bear all costs associated with issuing the bonds. The Agency will receive a one-time issuance fee of .25 percent of the bond issuance amount, which is payable at bond closing. Due to the structuring of the HUD 811 Capital Advance the Agency will collect at bond closing the net present value of the annual fee which is based on the annual payments of .15 percent of the total bond issuance amount. This fee is anticipated to be in the amount of \$115,000. The law firm of Orrick, Herrington & Sutcliffe LLP, is acting as bond counsel for the Housing Authority. Copies of the bond documents are on file with the Agency Clerk.

March 27, 2012

Approval of Bond and Financing Documents for Kelsey Village

M/WBE Considerations: Minority and Women's Business Enterprise requirements will be applied to all activities to the extent required by federal funding to maintain that federal funding.

Respectfully Submitted by:



LA SHELLE DOZIER
Executive Director

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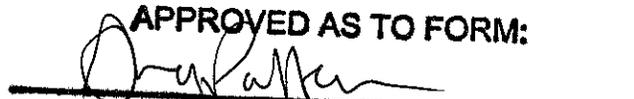
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Approved as to form:



Agency Counsel

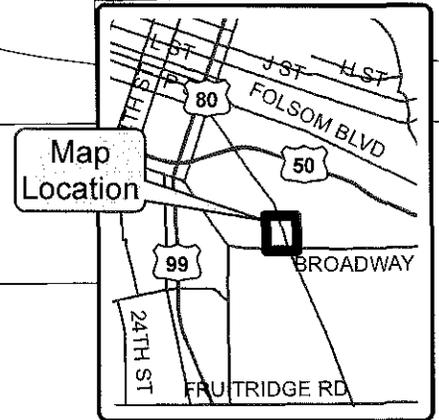
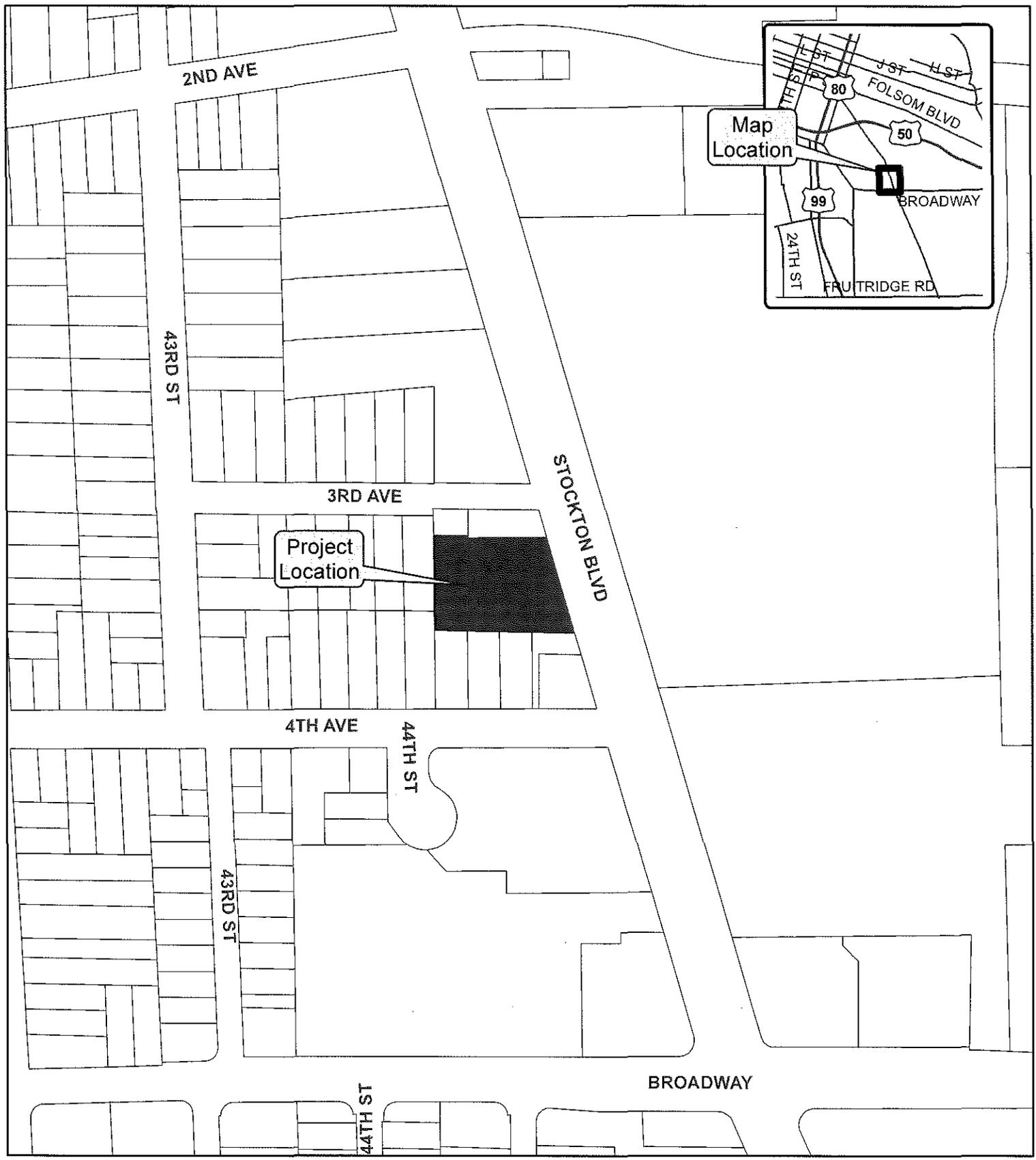
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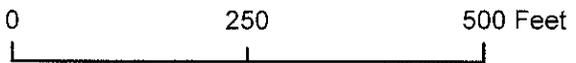
CITY ATTORNEY



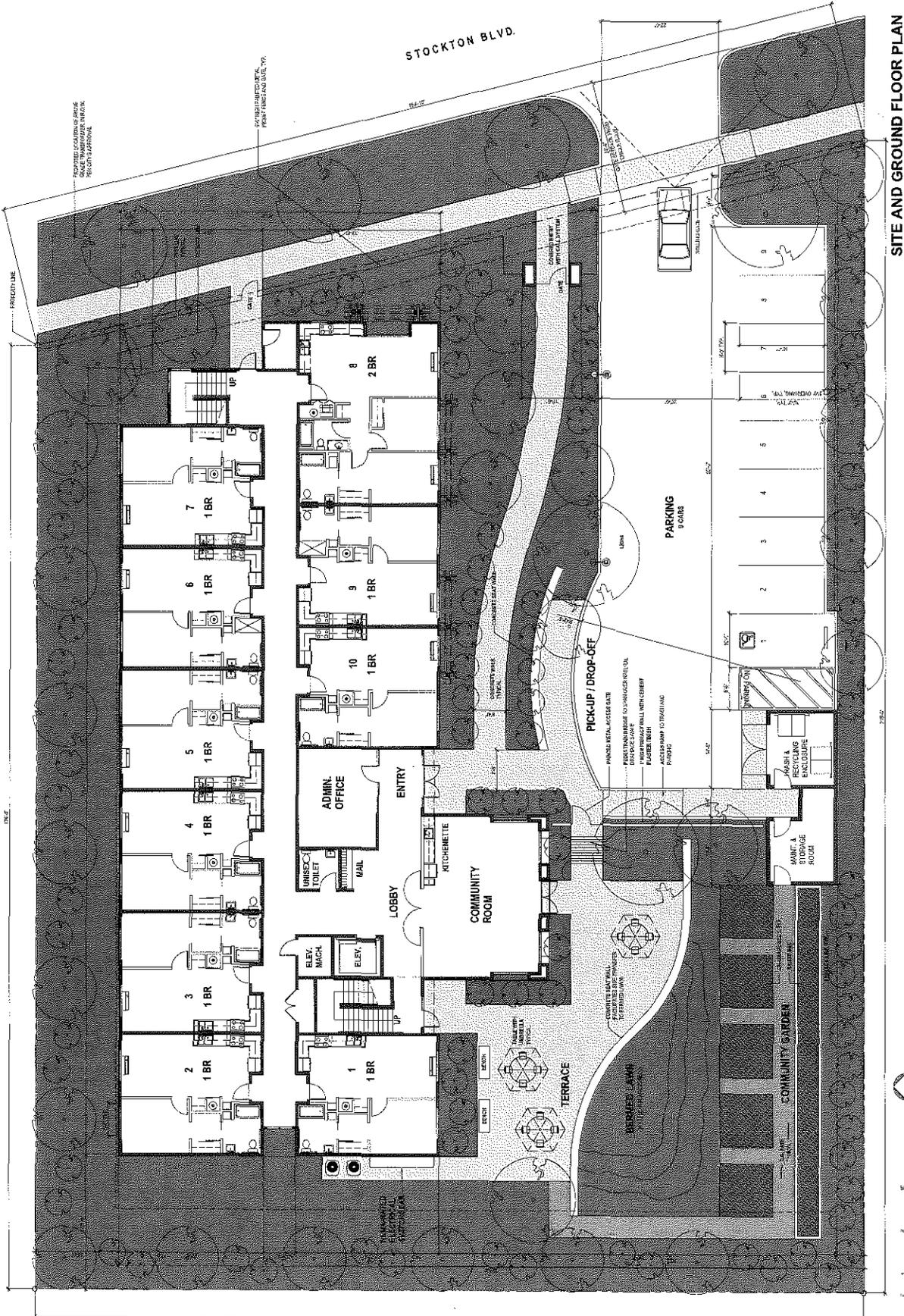
Kelsey Village



2830 Stockton Blvd



SHRA GIS
February 14, 2012



SITE AND GROUND FLOOR PLAN

Kelsey Village
Sacramento, California

2830 Stockton Blvd.



Kelsey Village Background Information

Description of Existing Development: The 22-unit Kelsey Village property, originally known as the San Carlos Motel, was purchased by the Housing Authority of the City of Sacramento in 1979 with Downtown Replacement Housing funds. The property was purchased by the Housing Authority of the City of Sacramento at the request of Sacramento County to provide an “independent living” facility for mentally disabled adults. The property was leased to the Sacramento County Division of Mental Health (DMH), and sub-let to various non-profit organizations such as the Volunteers of America (VOA) and Transitional Living and Community Support (TLCS).

In 2009, Kelsey Village was running an operating deficit of nearly \$32,000 per month. Rental income was inadequate for the high cost of maintaining a small, older property. Estimates for the cost of rehabilitation ran up to \$2.75 million depending on unit configurations. Major rehabilitation issues include the roof, HVAC units, sewer line repair, dry rot, termite repair, and lack of kitchens in the living units. In November 2009, due to the lack of funds available for continued operations of the property and need for rehabilitation, staff received approval to relocate the remaining tenants and pursue a new affordable housing project for the property.

After the successful relocation of the tenants in June 2010, the Housing Authority was approached by Domus Development, LLC (Domus) and Satellite Housing, Inc. (Satellite), affordable housing developers, with a proposal to demolish the existing structure and build a new affordable housing complex on the site. October 5, 2010 the Housing Authority entered in to an Exclusive Right to Negotiate agreement with Domus Development, LLC and Satellite Housing, Inc., to explore the possibility of redeveloping the site as a low-income residential project. This afforded the developer the time necessary to secure the funding sources necessary to finance the project. On August 9, 2011 the city Council approved a funding commitment of up to \$2,100,000 from City HOME funds and City Housing Trust Funds. At the same time the Housing Authority approved a Disposition and Development Agreement (DDA) and seller carry back financing for the purchase of the property in the amount of \$295,000.

Since August the Developer has secured all the project’s funding sources and has been working with the building department in preparation for the commencement of construction. The purpose of this staff report is to obtain final approval of to execute the documents associated with the transaction. It is anticipated that construction should be underway by April.

Description of Development: The surrounding land uses include commercial buildings, a surface parking lot, and single family residential homes. The Kelsey Village proposed project consists of one, two-story residential building containing 20 units. Proposed amenities include a community room, laundry facility, lounge, activities room, a

management/leasing office, and an exterior maintenance shop. Adjacent to the community room is a secured community garden; lawn area and terrace. There are 18 one-bedroom units and 2 two-bedroom units. One-bedroom units are 600 square feet, and two-bedroom units are 940 square feet. The entire site will be in compliance with the American with Disabilities Act (ADA). A vicinity map and site plan is included as Attachments 1 and 2

Developer: Domus Development, LLC is a developer of affordable rental housing focusing on the acquisition and rehabilitation of rental housing communities using tax-exempt bonds and low-income housing tax credits. The principals of Domus have completed the rehabilitation and construction of several affordable housing projects in northern California, including Northland Village, Southcrest Apartments and are currently constructing La Valentina in Sacramento. Domus will act as the Developer for Satellite Housing Inc.

Satellite Housing Inc. is a non-profit affordable housing developer that focuses on service enriched housing; currently they serve approximately 1,650 people in 1,550 units. Their geographic focus is the Bay Area and the Central Valley. Satellite will maintain ownership of the site and will oversee ongoing operations.

In 2007, Satellite Housing was awarded \$1,343,000 in HUD 811 capital advance funds and project rental assistance for a ten-unit supportive housing project in the City of Manteca. The original project did not proceed due to the economic downturn. HUD subsequently agreed to allow Satellite, working with Domus as their development partner, to utilize the 811 funds for the Kelsey Village project.

Property Management: Property management will be performed by Domus Management Company, LLC (DMC). DMC was established in 2007 by principals and executives who have extensive experience in affordable housing property management. The primary manager's experience includes supervision of over 5,500 units of affordable housing including both senior and multifamily projects. The principals have worked with projects financed through a variety of sources, including LIHTC's, the Multi Family Housing Program (MHP), the Home Investment Partnership Program (HOME), the California Department of Housing and Community Development (HCD), and the U.S. Department of Housing and Urban Development (HUD).

Agency staff has reviewed the management plan, including daily operations, leasing procedures, maintenance, and eviction procedures, and has found that the proposed management company meets the Agency's requirements for property management.

Residential Services Plan: Residential Services will be provided to the residents by Housing Now. Individuals with developmental disabilities often require a full range of individualized supports to succeed at living independently in the community. Such supports include supportive living services to address all aspects of daily living including; meal preparation, personal care, medication management, money management, travel training, accessing and managing personal attendant, and primary health services.

Kelsey Village will have a part-time service coordinator/tenant liaison provided by Housing Now and supported by funding from the Alta Regional Center. The coordinator will be available to tenants to assist them in connecting with additional service providers or maintaining their existing case management, support services in place. Satellite and Housing Now will work with the Alta Regional Center to ensure that various organizations will be available to offer specific services to meet the residents' needs.

Project Financing: The developer intends to finance the Kelsey Village project using tax exempt mortgage revenue bonds issued by the Housing Authority, Low income Housing Tax credits, a deferred developer fee, a seller carry back acquisition loan from the Housing Authority and a \$2,100,000 Agency loan using \$1,600,000 in City HOME funds and \$500,000 in City HTF funds. A Project Summary and Cashflow Proforma are included as Attachments 4 and 5.

Low-income Set-aside Requirements: As a condition of receiving the tax-exempt bond financing benefits of below-market rates, federal law requires that project units be set aside for targeted income groups. The income requirements are that either 20 percent of the project's units are rented to households at or below 50 percent of Area Income (AMI), or 40 percent of project units are rented to households at or below 60 percent of AMI. The Agency requires that the deeper affordability terms be required of projects in Sacramento. For this project, 100 percent of the units will be occupied by families at 50 percent or less AMI. The term of these affordability restrictions is 55 years or the life of the bonds, whichever is longer. The following chart summarizes the proposed affordability restrictions for the project.

Unit Type	% of Units	Affordability Restrictions	Units	Regulatory Requirements
Agency Loan, Tax-exempt Bonds, LIHTC, HUD 811	100%	Very Low (50% AMI)	20	55 years
Total	100%		20	

Security

The Agency requires installation of a web based security camera system approved by the Agency and lighting adequate to properly illuminate the parking area and all common spaces.



Kelsey Village

<u>Address</u>	2830 Stockton Boulevard		
<u>Number of Units</u>	20		
<u>Year Built</u>	Proposed New Construction		
<u>Acreage</u>	0.7		
<u>Affordability</u>	19 units at or below 50% of Area Median Income (AMI) 1 Manager Unit at Market Rate		
<u>Unit Mix and Occupancy</u>	<u>50% AMI</u>		
One-Bedroom	18		
Two-Bedroom	2		
TOTAL	20		
<u>Unit Square Footage</u>	One-bedroom units are approximately 600 square feet Two-bedroom apartment is approximately 940 square feet		
<u>Resident Facilities</u>	The project includes a community room, staff office space, interview room, craft room, outside garden and terrace.		
<u>Permanent Sources</u>	<u>Total</u>	<u>Per Unit</u>	<u>Per Square Foot</u>
HUD Section 811 Capital Advance	\$ 1,329,500	\$ 66,475	\$ 85.77
SHRA - Construction Loan	\$ 2,100,000	\$ 105,000	\$ 135.48
SHRA - Land Loan	\$ 295,000	\$ 14,750	\$ 19.03
Tax Credit Equity	\$ 1,816,320	\$ 90,816	\$ 117.18
Deferred Developer Fee	\$ 74,429	\$ 3,721	\$ 4.80
TOTAL SOURCES	\$ 5,615,249	\$ 280,762	\$ 362.27
<u>Permanent Uses</u>			
Land	\$ 295,000	\$ 14,750	\$ 19.03
Construction Costs	\$ 2,652,361	\$ 132,618	\$ 171.12
Development Impact Fees/Permits	\$ 320,000	\$ 16,000	\$ 20.65
Architecture / Engineering	\$ 376,581	\$ 18,829	\$ 24.30
Cost of Finance	\$ 306,658	\$ 15,333	\$ 19.78
Cost of Issuance	\$ 200,966	\$ 10,048	\$ 12.97
Contingency	\$ 335,051	\$ 16,753	\$ 21.62
Reserves / Escrow	\$ 99,152	\$ 4,958	\$ 6.40
Legal Fees	\$ 142,500	\$ 7,125	\$ 9.19
Insurance/Third Party/Marketing/Other	\$ 287,495	\$ 14,375	\$ 18.55
Developer Fee	\$ 599,485	\$ 29,974	\$ 38.68
TOTAL USES	\$ 5,615,249	\$ 280,762	\$ 362.27
<u>Management / Operations</u>			
Proposed Developer:	Satellite Housing Incorporated		
Property Management Company:	Domus Management Company		
Operations Budget:	\$103,164	\$5,158 per unit	
Replacement Reserves:	\$10,080	\$504 per unit	



MAXIMUM RENT AND INCOME LEVELS 2012

Maximum Income Limits:	
Family Size	Max Income
1 person	\$26,650
2 person	\$30,450

Maximum Rent Limits: All Funding Programs	
Unit Size	Gross Rent
1 Bedroom	\$713.00
2 Bedroom	\$856.00



RESOLUTION NO. 2012 -

Adopted by the Housing Authority of the City of Sacramento

ON DATE OF

RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO AUTHORIZING THE ISSUANCE, EXECUTION AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND ISSUANCE AND PLEDGE AGREEMENT, A LOAN AGREEMENT, A REGULATORY AGREEMENT AND DELCARATION OF RESTRICTIVE COVENANTS AND OTHER DOCUMENTS RELATING THERETO; AND APPROVING OTHER ACTIONS AND MATTERS RELATING THERETO

BACKGROUND

- A. The Housing Authority of the City of Sacramento (the "Authority") is authorized pursuant to Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (the "Act") to issue revenue bonds and make loans for the purpose of financing multifamily rental housing projects to be occupied in whole or in part by persons of low and very low income.
- B. Kelsey Village, L.P., a California limited partnership (the "Borrower"), has requested the Authority to issue revenue bonds designated as the Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Kelsey Village Apartments) 2012 Issue A (the "Bonds") and to loan the proceeds from the sale thereof to the Borrower to finance the acquisition, construction and development of a 20-unit multifamily rental housing development to be located in the City of Sacramento, California and to be commonly known as the Kelsey Village Apartments (the "Project").
- C. On August 9, 2011, the City Council of the City of Sacramento held a public hearing on the proposed issuance of the Bonds, as required under the Internal Revenue Code of 1986, following published notice of such hearings, and, following such public hearings approved the issuance of the Bonds.
- D. The Authority hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act.
- E. All conditions, things and acts required to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Bonds as contemplated by this resolution and the documents referred to herein will exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The Authority hereby finds and declares that the above recitals are true and correct.
- Section 2. Pursuant to the Act and the Bond Issuance and Pledge Agreement (as defined below), the issuance of the Bonds, in an aggregate principal amount not to exceed \$4,000,000, is hereby authorized. The Chairperson or Executive Director of the Authority, or their designee (the "Authorized Officer"), each acting alone, are hereby authorized and directed to execute the Bonds for and in behalf of the Authority by manual or facsimile signature, in the form set forth in the Bond Issuance and Pledge Agreement, with such changes, deletions and insertions as may be approved by such Authorized Officers and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof, and the Clerk of the Sacramento Housing and Redevelopment Agency or her designee (the "Clerk") is hereby authorized and directed, if required, to attest the Bonds in said form and otherwise in accordance with the Bond Issuance and Pledge Agreement.
- Section 3. The Bond Issuance and Pledge Agreement (the "Bond Issuance and Pledge Agreement") from the Authority to Wells Fargo Bank, National Association, as Fiscal Agent (the "Fiscal Agent"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Bond Issuance and Pledge Agreement with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.
- Section 4. The Loan Agreement by and among the Authority, the Fiscal Agent and the Borrower (the "Loan Agreement"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Loan Agreement with such changes, additions and deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.
- Section 5. The Regulatory Agreement and Declaration of Restrictive Covenants by and between the Authority and the Borrower (the "Regulatory Agreement"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Regulatory Agreement

with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Bonds, when executed, shall be delivered to Wells Fargo Bank, National Association, as the initial holder thereof, upon the funding of the Loan (as defined in the Bond Issuance and Pledge Agreement) with the purchase price for the Bonds.

Section 7. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Authorized Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, including but not limited to those certificates, agreements and other documents described in the Bond Issuance and Pledge Agreement, the Loan Agreement, the Regulatory Agreement, and other documents herein approved.

Section 8. This Resolution shall take effect immediately upon its adoption.



RESOLUTION NO. 2012 -

Adopted by the Housing Authority of the City of Sacramento

ON DATE OF

KELSEY VILLAGE: APPROVAL OF FINANCING DOCUMENTS WITH SATELITE HOUSING, INC., OR RELATED ENTITY FOR PROPERTY LOCATED AT 2830 STOCKTON BOULEVARD

BACKGROUND.

- A. The Housing Authority owns certain real property located at 2830 Stockton Boulevard, APN: 014-0123-032 ("Property"). The Property was originally named the San Carlos Motel and was purchased by the Housing Authority of the City of Sacramento in 1979.
- B. On August 9, 2011, the Housing Authority of the City of Sacramento held a public hearing and approved a Disposition and Development Agreement (DDA) transferring the Kelsey Village property located at 2830 Stockton Boulevard to Satellite Housing, Inc., or related entity.
- C. On August 9, 2011 the Housing Authority approved an acquisition loan with Satellite Housing, Inc., or related entity comprised of seller carry back financing in the amount of Two Hundred Ninety Five Thousand Dollars (\$295,000) to finance the cost of the land acquisition. This will be combined with a loan of up to Two Million One Hundred Thousand Dollars (\$2,100,000) from the Sacramento Housing and Redevelopment Agency to assist in funding the construction and permanent financing of the Project.
- D. The project is categorically exempt per California Environmental Quality Act (CEQA) Guidelines Section 15332 as an infill project as the site is not more than five acres, is substantially surrounded by urban uses, the project is consistent with the General Plan and will not result in any significant impacts of traffic, noise, air quality or water quality.
- E. An Environmental Assessment was prepared for the Kelsey Village Project and a Finding of No Significant Impact (FONSI) was made in accordance to with the National Environmental Policy Act (NEPA) under 24 CFR 58.40. The FONSI was published in the Daily Recorder on September 6, 2011, the comment period closed on September 21, 2011, a Request for Release of Funds and Certification was submitted to the U.S. Department of Housing and Urban Development (HUD) on September 22, 2011, and the Authority to Use Grant Funds was signed by HUD on October 11, 2011. The actions herein fall within the scope of the

project that was previously analyzed; therefore, additional environmental review pursuant to NEPA is not required.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:

- Section 1. The above statements are found to be true and correct including, but not limited to, the environmental findings.
- Section 2. The Executive Director, or her designee, is authorized to execute a seller carry back loan agreement in the amount of Two Hundred Ninety Five Thousand Dollars (\$295,000) with Satellite Housing, Inc., or related entity attached hereto as Exhibit A in the name of the Housing Authority.
- Section 3. The Executive Director, or her designee, is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the Loan Agreement that accompanies this resolution, in accordance with its terms, and to ensure proper repayment of the Housing Authority funds including without limitation, subordination, a HUD rider as may be required, extensions, and restructuring of such a loan.

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Exhibit A: Loan Agreement



ACQUISITION LOAN AGREEMENT
(SELLER CARRY-BACK LOAN)
KELSEY VILLAGE

ARTICLE I TERMS AND DEFINITIONS:

Table with 3 columns: 'EFFECTIVE DATE', 'April 1, 2012', 'Which is the date as of which this Loan Agreement shall be effective.'

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference.

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

Table A: 'Loan Information' The general loan provisions of the Loan. Includes rows for LENDER, BORROWER, and LOAN details.

Table B: 'Collateral' The Collateral securing repayment of the Loan, which Collateral consists of the following. Includes rows for PROPERTY details.

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Old Republic Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	April 4, 2012	Which is the date for close of the Escrow, as it may be extended

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Note Form</u>	"Note"
<u>Exhibit 3: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 4: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 5: The HUD Rider</u>	"HUD Rider"

D. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval
Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
Budget for the operation of the Property, including capital improvements and operating reserve account
Evidence of construction financing
HUD Section 811 financing documents
Budget for the operation of the Property, including capital improvements and operating reserve account

F. "ASSIGNED DOCUMENTS" BORROWER ASSIGNS THE FOLLOWING DOCUMENTS TO LENDER
Construction Agreement
Architectural Agreement
Subject to the interests of any senior lender, any lease and rental agreements for the Property, or any part of it.

G. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement.
This Loan is made pursuant to the Disposition and Development Agreement by and between Borrower and the Sacramento Housing and Redevelopment Agency ("Agency") dated August 9, 2011 (the "DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan Proceeds. Lender, herein, has delegated its approval authority to the Agency pursuant to and consistent with the DDA.
This loan is a seller carry back loan. Loan funds shall be used solely for Property acquisition costs.
Subject to Agency's written approval, Borrower shall obtain and maintain for the life of the Loan a property management agreement with a duly accredited real estate property management company for the management of the Property. Lender shall have the right to review and approve or reject any proposed changes to scope of said agreement and to changes in the real estate property management company prior to making such changes. Any such changes made without Lender approval shall be a default of the loan. The Lender hereby approves Domus Management Company as the Property's property manager.
Borrower may elect to close the Loan in advance of closing of the Wells Fargo Bank loan, provided that the Wells Fargo Bank loan meets all requirements of this Loan Agreement. Lender shall subordinate this Loan to the Wells Fargo Bank loan, provided that the Wells Fargo Bank loan does not require modification of this Loan Agreement or Lender's entering into any agreements containing new or modified Loan terms, and with respect to the HUD Rider, beyond the terms of the HUD Rider as attached hereto as Exhibit 5.
The provisions of this Loan Agreement are subject to the terms of the HUD Rider attached to this Loan Agreement.

THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT in Sacramento, California as of the date first written above.

BORROWER : KELSEY VILLAGE, L.P.
BY: SATELLITE KELSEY VILLAGE, INC., its general partner

AGENCY: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
Dori Kojima
Acting Executive Director

By: _____
LaShelle Dozier, Executive Director

Approved as to form:

Approved as to form:

Borrower Counsel

Agency Counsel

ARTICLE II LOAN PROVISIONS

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I General Terms and as defined in Section 1 of this Article II Loan Provisions. (Terms being defined are indicated by quotation marks.) The Lender is making the Loan pursuant to the Loan Commitment and the terms and conditions of this Loan Agreement.

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

1. **DEFINITIONS.** Terms not defined in Article I and II of this Loan Agreement shall have the definitions assigned in the Trust Deed. If a definition in Article I refers to an Exhibit that is a document form, the attached document is a true and correct copy of the document referenced. As used in this Loan Agreement, the following terms shall have the following meanings:

1.1. "Approved Loans" means the Satellite Kelsey Village, Inc, loan to Kelsey Village L.P. of the proceeds from a HUD 811 grant and the Wells Fargo Bank loan to Kelsey Village, L.P.

1.2. "Business Day" means regularly scheduled business day of the Sacramento Housing and Redevelopment Agency. Whenever any payment to be made under this Loan Agreement is due on a day other than a Business Day, it may be made on the next succeeding Business Day, and the resulting extension of time will be included in the computation of payment of interest.

1.3. "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

1.4. "Default Rate" is the maximum legal interest rate.

1.5. "Escrow" is the escrow with Title Company for the closing of the Loan.

1.6. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

1.7. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Note and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan beyond any applicable notice and cure periods.

1.8. "Financial Statements" means the financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

1.9. "Fixtures" means all fixtures located on or within the Property or now or later installed in or used in connection with any of the Property, including, as applicable and without limitation, all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, built-in refrigerators, and gas and electric machinery, appurtenances, and equipment, whether or not permanently affixed to the Project.

1.10. "Governmental Authority" means the United States of America, the State of California, the County of Sacramento, the City of Sacramento or any other political subdivision, agency, department, commission, board, bureau, or instrumentality of any of them.

1.11. "Governmental Requirement" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

1.12. "Loan" is the loan from Lender to Borrower made pursuant to this Loan Agreement.

1.13. "Loan Agreement" means this Loan Agreement including Article I and II, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

1.14. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, and all other documents (including guaranties) evidencing, securing, or relating to the Loan.

1.15. "Loan Maturity Date" means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.

1.16. "Permanent Lender" is the lender for the Permanent Loan.

1.17. "Permanent Loan" means the permanent financing obtained by Borrower through an Approved Loan, which is to be made after completion of construction and which will be secured by a senior lien against the Property.

1.18. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership or operation of the Property, and all furniture, furnishings, equipment, machinery, materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

1.19. "Potential Default" means an event that would constitute an Event of Default but for any requirement of notice to be given or period of grace or time to elapse.

1.20. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.

1.21. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.

2. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** As a material inducement to Lender to enter into this Loan Agreement and to make the Loan to Borrower, Borrower unconditionally, and each signatory who signs on its behalf, to the extent of their actual knowledge, represents and warrants to Lender, as of the Close of Escrow, as follows:

2.1. **BORROWER'S POWERS.** Borrower has full power and authority to execute this Loan Agreement, the Note, the Trust Deed, and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

2.2. **BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents each constitutes a legal and binding obligation of, and are valid and enforceable against, each party other than Lender, in accordance with the terms of each.

2.3. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

2.4. **NO VIOLATION.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents, will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement,

trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

2.5. **NO DEFAULT.** There is no Event of Default or Potential Default on the part of Borrower.

2.6. **TITLE TO PROPERTY.** Borrower will be the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

2.7. **NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the use and operation of the Property, or the permanent financing of the Property except as has been fully disclosed to and approved by Lender in writing.

2.8. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a valid lien.

2.9. **TAXES PAID.** Borrower has filed all required Federal, State, County, and City tax returns and has paid all taxes due and owing. Borrower knows of no basis for additional assessments with respect to any taxes, other than the lien of taxes not yet due.

2.10. **CONSTRUCTION QUALITY.** There are no structural defects in the Property that are known to or reasonably should be known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

2.11. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

3. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, the Loan Amount, to finance the purposes and uses and subject to the terms, conditions, representations, warranties, and covenants, all as stated in this Loan Agreement.

3.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the Loan Amount.

3.2. **USE OF LOAN FUNDS.** Loan funds shall be used only for acquisition financing and for other purposes specified in the Loan Agreement.

3.3. **LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.

3.4. **NOTE AND SECURITY DOCUMENTS.** The Loan is evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property. Borrower shall execute, as Trustor, the Trust Deed in favor of the Title Company as Trustee in trust for the benefit of Lender and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

3.5. **REGULATORY AGREEMENT.** The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation.

4. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Loan Agreement:

4.1. CONDITION OF TITLE. Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

4.2. CONDITIONS TO LENDER'S PERFORMANCE. Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (c) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (d) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow, (e) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approved Loans.

4.3. CONDITIONS TO BORROWER'S PERFORMANCE. Unless waived by Lender, Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) Lender has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Lender has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (d) Lender's representations and warranties in this Loan Agreement are correct as of the date of this Loan Agreement and as of the Close of Escrow; and (e) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

4.4. ESCROW. The parties shall open the Escrow promptly after the Effective Date. Escrow shall close as provided in the Escrow Instructions on or before the Closing Date.

4.5. COMMISSIONS. Lender is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

5. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of the Lender's involvement in the Property. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property. Borrower's compliance with the relocation requirements as stated in this Section 5 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 5 is an Event of Default.

5.1. RELOCATION COSTS. Unless otherwise stated in this Agreement, any amounts paid by Lender for relocation costs and services shall be considered advances under the Loan.

5.2. COOPERATION AND ACCESS. Borrower shall cooperate fully with Lender in complying with such relocation laws, including without limitation, providing Lender access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Borrower shall meet with Lender to establish reasonable protections for tenants and related reporting requirements for Borrower.

5.3. BORROWER AS RELOCATION AGENT. With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services (a) shall comply with all applicable law, (b) shall fully inform Lender of all relocation activities, (c) shall make all requests for direction or clarification to Lender, and (d) shall respond to and follow the Lender's instruction and direction.

6. ADDITIONAL SECURITY INSTRUMENTS. Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Property and all other property

of any kind owned by Borrower and used primarily in connection with the Property. Lender may require such instrument at any time, and from time to time may require additions of new contracts and other property. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

7. CONDITIONS PRECEDENT TO LOAN DISBURSEMENT. The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent (subject only to the rights of the Permanent Lender):

7.1. No Event of Default or Potential Default of Borrower has occurred and is continuing.

7.2. If requested by Lender, Borrower has furnished to Lender an endorsement to the Title Policy showing no intervening liens or encumbrances on the Property and insuring the full disbursement, together with a satisfactory report under the California Uniform Commercial Code showing no liens or interests in Personalty other than those of Lender and Senior Lender.

7.3. The Property and all fixtures, and furnishings installed on or acquired for the Property are owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest or lien/security interests pertaining to the Senior Loan.

7.4. The representations and warranties in the Loan Documents are correct as of the date of the requested disbursement.

7.5. Borrower has paid Lender all commitment, loan, and other fees then due, and Borrower has submitted to, and Lender has approved in writing, all documents, records, statements, certificates, reports, and other materials and information then required to be submitted to Lender for approval under this Loan Agreement.

7.6. Borrower has delivered to Lender all funds, documents, instruments, policies, evidence of satisfaction of conditions, and other materials then due or otherwise requested by Lender under the Loan Documents.

7.7. There is no legal action threatened or pending against Borrower or any Additional Collateral.

7.8. All conditions to Close of Escrow have been satisfied in accordance with the Loan Agreement

7.8.1. Borrower has obtained and Lender has approved a loan approval from a financial institution (or other lender approved by Lender in its sole discretion) to make the Permanent Loan, which provides (a) that it is subject only to those conditions which are usual and customary in the industry and which can be satisfied by the proposed closing date of the Permanent Loan; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

7.8.2. The Permanent Lender's commitment to make the Permanent Loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the Permanent Loan commitment, or submissions and approvals made under it, conflicts with this Loan agreement. Borrower has done all things necessary to keep unimpaired its rights under the Loan Commitment

7.8.3. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents.

7.8.4. Borrower has provided proof of all insurance required by this Loan Agreement.

8. DEFAULTS

8.1. EVENTS OF DEFAULT. Subject to the notice and cure provisions set forth in Section 16 of the Trust Deed, at the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

8.1.1. The occurrence of an Event of Default under the Trust Deed.

8.1.2. Borrower's failure to comply with any Governmental Requirements; provided, however that Borrower's right to challenge the Governmental Requirements is not abridged.

8.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the occupancy or use of the Property, unless Borrower has renewed the same or otherwise cured the lapse prior to Agency's issuance of a notice of the default.

8.1.4. The filing of any lien against the Property, if the claim of lien continues for sixty (60) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

8.1.5. The attachment, levy, execution, or other judicial seizure of any portion of the Property, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within thirty (30) days after the attachment, levy, execution, or seizure.

9. REMEDIES

9.1. **OPTION TO ACT.** Subject to the notice and cure provisions of Section 16 of the Trust Deed, on the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

9.1.1. Terminate its obligation to make disbursements.

9.1.2. Declare the Note and all other sums owing to Lender with respect to the other Loan Documents immediately due.

9.1.3. Make any disbursements after the happening of any one or more of the Events of Default, without waiving its right to demand payment of the Note and all other sums owing to Lender with respect to the other Loan Documents or any other rights or remedies and without liability to make any other or further disbursements, regardless of Lender's previous exercise of any rights and remedies.

9.1.4. Proceed as authorized at law or in equity with respect to the Event of Default, and in connection with that, remain entitled to exercise all other rights and remedies described in this Loan Agreement or the Trust Deed.

9.1.5. Make any unauthorized payment from Loan Proceeds or other funds of Lender.

9.1.6. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the Default Rate from the date the funds were spent until repaid which amounts will be deemed secured by the Trust Deed.

9.2. **RIGHTS CUMULATIVE, NO WAIVER.** All of Lender's rights and remedies provided in this Loan Agreement or in any of the other Loan Documents are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy will not constitute a cure of any Event of Default unless all sums then due to Lender under the Loan Documents are repaid and Borrower has cured all other Events of Default. No waiver will be implied from Lender's failure to take, or delay in taking, any action concerning any Event of Default or from any previous waiver of any similar or unrelated Event of Default. Any waiver under any of the Loan Documents must be in writing and will be limited to its specific terms.

9.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the failure to protect the Property; the payment of any expense incurred in connection with the exercise of any remedy available to Lender; or the performance or nonperformance of any obligation of Borrower.

10. **FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** For the duration of Loan Agreement, Borrower shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage, vandalism, and malicious mischief, and with such other endorsements and in such amounts as the Agency may reasonably

require to protect the Property. In the event of damage to the Property and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Property and the public improvements.

10.1. INSURANCE PROVISIONS. Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A-V or better, or such other equivalent rating, as may reasonably be approved by Agency's legal counsel. Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Agency has been given written notice of such intended action at least thirty (30) days prior to its effective date.

10.2. FAILURE TO MAINTAIN. If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender, after providing Borrower with not less than 7 days notice, Agency shall have the right to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Agency. If Borrower fails to reimburse the Agency for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

11. MISCELLANEOUS.

11.1. NONRECOURSE. Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan, Lender's sole recourse shall be against the Property.

11.2. FEDERAL REQUIREMENTS. If any Loan Program is federally funded, Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of such funds. Lender shall fully cooperate with, and assist, Borrower in fulfillment of such obligations.

11.3. NATURE OF REPRESENTATIONS AND WARRANTIES. Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower, will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

11.4. FINANCIAL STATEMENTS. Borrower shall provide Financial Statements to Lenders, as and when reasonably requested to assure the good status of the Loan and the Property.

11.5. NO WAIVER. No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

11.6. NO THIRD PARTIES BENEFITED. This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds at any time on deposit in the Construction Account or the Impound Account, if established.

11.7. NOTICES. Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above, as well as to those Parties listed in the definition of "Additional Notices" in the Trust Deed by one or more of the following methods. Lender shall give copies of notices

required to be delivered to Borrower to those Parties listed in the definition of "Additional Notices" in the Trust Deed provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party.

(a) Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;

(b) A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;

(c) Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

Telecopy, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Instructions or to such other address as Borrower or Agency may respectively designate by written notice to the other.

11.8. ACTIONS. Lender will have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties, or the disbursement of any funds under this Loan Agreement. In connection with that, Lender may incur and pay costs and expenses, including, without limitation, reasonable attorney fees. Borrower agrees to pay to Lender on demand all these expenses, and Lender is authorized to disburse funds from the Construction Account for that purpose. This Section does not apply to actions or proceedings between the parties.

11.9. ASSIGNMENT. The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender or as otherwise permitted under the DDA. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other equivalent lender, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

11.10. PREPAYMENT. Borrower may prepay the Loan only on and subject to the terms and conditions in the Note. Borrower shall have no rights to receive, and under no circumstances will Borrower receive repayment of any fees previously paid to Lender.

11.11. BORROWER, LENDER RELATIONSHIP. The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower.

11.12. CONTROLLING LAW; VENUE. The Loan Documents will be governed by and construed in accordance with California law. The venue for any legal action or proceeding will be in the County of Sacramento, California

11.13. CONSENTS AND APPROVALS. All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing, and Lender shall not unreasonably delay in reviewing and approving or disapproving any consents and waivers. Lender's consent to or approval of any act by Borrower requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

11.14. SURVIVAL OF WARRANTIES AND COVENANTS. The warranties, representations, conditions, covenants, and agreements in this Loan Agreement and in the other Loan Documents will survive the making of the Loan and the execution and delivery of the Note and will continue in full force until the Indebtedness has been paid in full. Nothing in

this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Indebtedness or the termination of any Loan Document.

11.15. RECORDING AND FILING. Borrower, at its expense, will cause the Security Documents and all supplements to be recorded and filed and re-recorded and re-filed in any manner and in any places as Lender will reasonably request, and will pay all recording, filing, re-recording, and re-filing taxes, fees, and other charges.

11.16. LOAN EXPENSES. Borrower agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any Loan Party, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Loan rate, will form a part of the indebtedness and will be secured by the Security Documents.

11.17. NO REPRESENTATIONS BY LENDER. By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

11.18. AMENDMENT. The Loan Documents and the terms of each of them may not be modified, waived, discharged, or terminated except by a written instrument signed by the party against whom enforcement of the modification, waiver, discharge, or termination is asserted.

11.19. TERMINATION. Except as otherwise provided in the Loan Documents, all rights and obligations under this Loan Agreement will terminate except as to any accrued obligations effective on the payment of all Indebtedness owing by Borrower to Lender.

11.20. COUNTERPARTS. The Loan Documents may be executed in any number of counterparts and by different parties in separate counterparts, each of which when executed and delivered will be deemed an original and all of which counterparts taken together will constitute one and the same instrument.

11.21. SEVERABILITY. If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

11.22. CAPTIONS. All Article and Section headings in the Loan Documents are inserted for convenience of reference only and do not constitute a part of the Loan Documents for any other purpose.

11.23. INDEMNITY. Except for claims due to Lender's sole negligence or willful misconduct, Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, or any portion of it. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the lesser of the Default Rate or the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

11.24. **FURTHER ASSURANCES.** At Lender's request and at Borrower's expense, Borrower will execute, acknowledge, and deliver all other instruments and perform all other acts necessary, desirable, or proper to carry out the purposes of the Loan Documents or to perfect and preserve any liens created by the Loan Documents.

11.25. **DISCLOSURE OF INFORMATION.** If Lender elects to sell the Loan, Lender may forward to the buyer of the Loan all documents and information related to the Loan in Lender's possession, including without limitation all Financial Statements, whether furnished by Borrower or otherwise.

11.26. **LENDER'S AGENTS.** Lender may designate agents or independent contractors to exercise any of Lender's rights under the Loan Documents. Any reference to Lender in any of the Loan Documents will include Lender's employees, agents, and independent contractors.

11.27. **INTEGRATION AND INTERPRETATION.** The Loan Documents contain or expressly incorporate by reference the entire agreement between Lender and Borrower with respect to the covered matters and supersede all prior negotiations. Any reference to the Property in any of the Loan Documents will include all or any portion of them. Any reference to the Loan Documents themselves in any of the Loan Documents will include all amendments, renewals, or extensions approved by Lender.

11.28. **NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. Person means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

EXHIBIT 1

Legal Description of the Property

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

LOTS 4406, 4407, 4408 AND 4409, AS SHOWN ON THE "PLAT OF H. J. GOETHE COMPANY'S ADDITION "G" TO SACRAMENTO", RECORDED IN BOOK 6 OF MAPS, MAP NO. 16, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THAT PORTION OF LOT 4406 DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 4406 AND RUNNING THENCE ALONG THE NORTH LINE OF THE SAME, NORTH 89 DEGREES 43' 29" WEST 111.29 FEET, THENCE SOUTH 00 DEGREES 39' 02" EAST 0.60 FEET, THENCE NORTH 89 DEGREES 59' 06" EAST 111.28 FEET TO THE POINT OF BEGINNING.

APN: 014-0123-032

2830 Stockton Boulevard, Sacramento, CA

EXHIBIT 2

**PROMISSORY NOTE
FOR KELSEY VILLAGE
SELLER CARRY-BACK**

BORROWER HAS MADE THIS PROMISSORY NOTE ("NOTE") AS OF THE EFFECTIVE DATE. The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked "None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

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

DEFINED TERM:	DEFINITION:	
"Effective Date"	April 1, 2012	
"Lender"	Housing Authority of the City of Sacramento	
"Borrower"	Kelsey Village, L.P.	
"Borrower Legal Status"	A California limited partnership	
"Loan Agreement"	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan ("Loan") evidenced by this Note.	
"Principal Amount"	Two Hundred and Ninety Five Thousand Dollars and No Cents (\$295,000.00)	
"Interest Rate"	The interest rate is 1% per year, simple interest.	
"Accrual Date"	Interest shall accrue starting on the following "Accrual Date":	The Effective Date
"Special Terms"		
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
"Maturity Date"	The first day of the 676 calendar month following the Effective Date.	
"Payment Start Date"	The payment shall be in lump sum on the Maturity Date.	
"Payment Amount(s)"	The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	
	Month 676	Principal and accrued interest due in full

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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement"), the making of which is further consideration for this Note.

All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814,

or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

2. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.
3. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed,), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.
4. Lender and Borrower shall comply with and fulfill the Special Terms.
5. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:
 - a. Borrower defaults in the payment of any principal or interest when due.
 - b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
 - c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
 - d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.
 - e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.
 - f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
 - g. The occurrence of any of the following:
 - 1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.
 - 2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.
 - 3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower..
6. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.
7. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.
8. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.
9. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.
10. This Loan is a non-recourse loan, and notwithstanding any provision of this Note or any document evidencing or securing this Loan, Borrower, and Borrower's principals, members, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

11. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note and the Trust Deed, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

IN WITNESS WHEREOF, Borrower has executed this Note as of the Loan Date.

Borrower:
Kelsey Village, L.P.

By: SATELLITE KELSEY VILLAGE, INC., its general partner

By: _____
Dori Kojima
Acting Executive Director
Authorized Representative

EXHIBIT 3

NO FEE DOCUMENT:
 Entitled to free recording
 per Government Code 27383.

When recorded, return to:
 SACRAMENTO HOUSING AND
 REDEVELOPMENT AGENCY
 801 12th Street
 Sacramento, CA 95814
 Attention: Steve Lierly

DEED OF TRUST AND ASSIGNMENT OF RENTS
 Kelsey Village

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

TERM	DEFINITION	
“Effective Date”	April 1, 2012	
“Trustor” and “Borrower”	Kelsey Village, L.P., limited partnership	
“Borrower Address”	1521 University Avenue, Berkeley California 94703	
“Trustee”	Old Republic Title Company	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	2830 Stockton Boulevard, Sacramento, California
	Assessor’s Parcel Number	014-0123-032-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the Seller Carry-Back Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party;	

	<u>Alliant Asset Management Company, LLC</u> 21600 Oxnard Street Suite 1200 Woodland Hills, California 91367 Attention: Brian Goldberg	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Two Hundred Ninety-Five Thousand Dollars and No Cents (\$295,000.00)

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the Note, or the Loan Agreement.

Borrower covenants that Borrower is lawfully seised of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned

by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, or (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower, or any of its principals or anyone with a substantial legal interest in Borrower, may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Deed of Trust.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower and the Limited Partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the Limited Partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently

(and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within 90 days of such notice, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days.

Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due.

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

18. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

20. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

21. Substitute Trustee. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.
22. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.
23. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.
24. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.
25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):
KELSEY VILLAGE, L.P.

BY: SATELLITE KELSEY VILLAGE, INC., its general partner

By: _____
 Dori Kojima, Acting Executive Director

EXHIBIT 4

**JOINT ESCROW INSTRUCTIONS
FOR AGENCY LOAN**

“Effective Date”	April 1, 2012
------------------	---------------

Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

1. **GENERAL.** These Escrow Instructions, in addition to items listed below, include Article II Instructions, which is attached to and incorporated in these Escrow Instructions by this reference.

2. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

“Title Company”	Old Republic Title Company		
	Address:	555 12 th Street, Suite 2000, Oakland, CA 94607	
“Escrow” with Title Company	Escrow Number:	1117009405-JM	Attention: Julie Massey
	Sacramento Housing and Redevelopment Agency		
“Agency”	Address:	801 12 th Street, Sacramento, CA 95814	
	Attention:	Steve Lierly	
	Kelsey Village, L.P.		
“Borrower”	Address:	1521 University Avenue, Berkeley, CA 94703	
	Attention:	Dori Kojima	
	April 4, 2012		
“Closing Date”	Address:	2830 Stockton Blvd. Sacramento, CA 95817	APN: 014-0123-032-0000
	Description of the transaction		
This is both the transfer of fee title to real property and funding for acquisition and the project. The Housing Authority of the City of Sacramento is conveying property and making a seller "carry-back loan" and the Sacramento Housing and Redevelopment Agency is making a Construction and Permanent Loan.			

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents:	Marked for return to:
	Disposition and Development Agreement	Agency
	Regulatory Agreement	Attn: Steve Lierly
	Grant Deed Deed of Trust	
“Agency Items”	Promissory Note for subject loan	
	Loan Agreement for the subject loan	
	Authorizing resolutions for all Borrower signatories	
	Disposition and Development Agreement	
“Borrower Items”		
	conformed copies of the recorded documents; grant deed	

“Special Provisions”:	
-----------------------	--

	Title Policy shall, in addition to customary endorsements, bear the following endorsements: <ul style="list-style-type: none"> • ALTA 102.5 Foundation Endorsement • ALTA Rewrite upon project completion For the Regulatory Agreement - CLTA 124.1
--	---

“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	Regulatory Agreement and Trust Deed	In the amount of the loan secured \$2,100,000 for the SHRA Construction and Permanent Loan and \$295,000 for the Housing Authority’s seller carry-back loan.	
The title policies shall be subject only to the following “Conditions of Title”:	Items ***Conditions of Title*** of Title Company’s Preliminary Report for the Escrow	Dated:	October 13, 2011
		Number:	1117009405-JM

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the date first written above.

BORROWER: KELSEY VILLAGE, L.P.

AGENCY: SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

By: SATELLITE KELSEY VILLAGE, INC., its general partner

By: _____
LaShelle Dozier, Executive Director

By: _____
Dori Kojima
Acting Executive Director

ARTICLE II. INSTRUCTIONS

12. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.

13. **CONDITIONS TO CLOSE OF ESCROW.** "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

13.1. **CONDITIONS.** The following are conditions to the Close of Escrow:

13.1.1. The conditions precedent to performance stated in the Recorded Documents are satisfied as of the Closing Date.

13.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Title Insurance to Agency (at Borrower's cost) in the amount stated. The Agency Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Borrower's performance of its obligations and repayment of Agency Funding.

13.1.3. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

13.1.4. On or before the Closing Date, Agency shall also deposit with Title Company the Borrower Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

13.1.5. On or before the Close of Escrow, Borrower shall also deposit with Title Company the Agency Items and Borrower's share of closing costs and fees.

13.1.6. Title Company is satisfied that all required funds have been deposited in Title Company's account for the Escrow, have cleared the originating bank and are available for transfer by Title Company's check or wire transfer to the appropriate party.

13.2. **TRUST DEED FORM.** If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company's Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

"The Loan Agreement requires the filing of the "Regulatory Agreement" that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency's written notice to Developer of such failure, the principal balance of the Loan shall, at Agency's option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds."

13.3. **UPON CLOSE OF ESCROW.** The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

13.3.1. Assure fulfillment of the Special Provisions;

13.3.2. Assure all documents are complete and affix legal descriptions of the Property as necessary to complete them;

13.3.3. Obtain full execution of all unexecuted documents;

13.3.4. Date all undated documents as of the Closing Date;

13.3.5. Record the Recorded Documents in the priority listed;

13.3.6. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;

13.3.7. Deliver the Agency Items to Agency and the Borrower Items to Borrower; and

13.3.8. Prepare and deliver to Borrower and Agency, respectively, one signed original of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

13.4. **INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Borrower and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Borrower has not complied with Borrower's obligations under this Loan Agreement, then Borrower shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement, such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

13.5. **COMMISSIONS.** Agency is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

/ / / / / / / /

ACCEPTANCE OF ESCROW INSTRUCTIONS

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Borrower for complete compliance with these instructions. Agency and Borrower reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Borrower agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions, return the executed counterparts of these escrow instructions to Agency and Borrower, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of the escrow instructions.

Dated: _____

TITLE COMPANY
*****TITLE COMPANY NAME*****

By: _____
Name: _____
Title: _____
Its authorized agent and signatory

EXHIBIT 5**HUD-REQUIRED PROVISIONS RIDER****§ _____ LOAN DOCUMENTS**

This HUD-Required Provisions Rider (the “**Rider**”) is dated as of _____, 20____, and is attached to and made a part of that certain (i) _____ (the “**Modification to _____**”) which modifies that certain _____ recorded in the Official Records of _____ County on _____, as Instrument No. _____ (the “_____”) between _____, **L.P.**, a California limited partnership, its successors and assigns (the “**Borrower**”) and the Housing Authority of the City of Sacramento (“**Authority**”), (ii) Promissory Note from Borrower to _____ (the “_____ **Note**”) and (iii) _____ between Borrower and the Authority, all dated _____, (collectively, the “**Authority Documents**”), relating to the property commonly known as _____ Apartments (the “**Development**”). In the event of any conflict, inconsistency or ambiguity between the provisions of the Authority Documents, this Rider and the HUD Capital Advance Documents (defined below), the provisions of the HUD Capital Advance Documents shall control. All capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Authority Documents. As used in this Rider, the term “**HUD Capital Advance Documents**” shall mean the following documents relating to the HUD Section 811 Capital Advance for the Development (HUD Project No. _____).

- A. Deed of Trust on the Property from Borrower to HUD (the “**HUD Deed of Trust**”);
- B. Regulatory Agreement between Borrower and HUD recorded against the Property (“**HUD Regulatory Agreement**”);
- C. Capital Advance Program use Agreement between Borrower and HUD recorded concurrently herewith (the “**HUD Use Agreement**”), incorporated by reference in the HUD Deed of Trust;
- D. HUD Security Agreement between Borrower and HUD (the “**HUD Security Agreement**”);
- E. HUD Project Rental Assistance Contract (the “**PRAC**”); and
- F. Other HUD Capital Advance documents.

1. Term of Rider. Notwithstanding anything else in this Rider to the contrary, the provisions of this Rider shall be and remain in effect only so long as the HUD Documents, or any of them, are in effect; thereafter, this Rider and its requirements shall be deemed no longer in effect.
2. Subordination. The covenants contained in the Authority Documents shall be subordinate to the rights of HUD under the HUD Capital Advance Documents, and to the HUD rules and regulations pertaining thereto; and furthermore, the Authority Documents shall not be enforceable against the HUD Secretary, his or her successors and assigns, should the HUD Secretary acquire title to the Property by power of sale, foreclosure, or by deed in lieu of foreclosure. In addition, so long as the HUD Capital Advance Documents are in effect, in the event that there are any conflicts between the terms and conditions in the Authority Documents and the terms and conditions of the HUD Capital Advance Documents and HUD rules and regulations pertaining thereto, the HUD documents and HUD rules and regulations shall prevail. No default may be declared under the Authority Documents without HUD prior written consent.
3. HUD Rules. During the time period in which Section 811 or the PRAC regulations apply to the development, rents approved by HUD pursuant to the Section 811 program and the PRAC shall be deemed to be in compliance with the Authority Regulatory Agreement, and compliance by the Developer with the Section 811 Regulations and the PRAC with respect to continued occupancy by households whose incomes exceed the eligible income limitations of Section ___ of the Authority Regulatory Agreement, or other matters set forth in the Authority Regulatory Agreement, shall be deemed to be compliance with the requirements of the Authority Documents. Nothing in the Authority Documents shall in any way limit, interfere or conflict with the rights of HUD with respect to development, operation and management of the Development; nor can the Authority Documents in any way jeopardize the continued operation of the project on terms at least as favorable to existing as well as future tenants.
4. Authority Loan Disbursement. Upon continued satisfaction of the conditions precedent to loan disbursement set forth in the Authority Loan Documents, Authority shall disburse the Authority Loan proceeds to Borrower from time to time following approval by Authority and HUD of Borrower's requisitions in accordance with the HUD Documents. HUD approval of a requisition shall be deemed Authority approval, provided that the requisition conforms to the use of Authority funds shown in the Financing Plan approved by Authority and is an eligible use of Authority funds. Authority agrees that the uses of Authority funds shown in the Financing Plan are eligible uses. Requisitions not requiring HUD approval shall be submitted only to Authority for approval and disbursement pursuant to the Authority Deed of Trust.
5. Residual Receipts. Any whole or partial repayment of the principal and any other payments as set forth in the Authority Documents shall be made only from Residual Receipts (as defined in the HUD Regulatory Agreement between Borrower and the Secretary executed in connection with the Development and the HUD Capital Advance Documents), and then only after obtaining the prior written approval of HUD, or as otherwise allowed by HUD in writing, or from the Borrower's own funds.
6. Indemnification. Enforcement by Authority of any indemnification provisions in the Authority Documents will not and shall not result in any monetary claim against the Development, the

HUD Capital Advance proceeds, any reserve or deposit required by HUD in connection with the HUD Capital Advance, or the rents or other income from the Development other than residual receipts authorized for release by HUD, without the prior written consent of HUD, but Authority shall have the right to add any amounts due Authority pursuant to indemnification provisions in the Authority Documents to the principal amount of the Loan and the Note and interest shall accrue thereon commencing on the date indemnification payments are due. In addition, any indemnification provisions shall not be enforceable against the HUD Secretary, his or her successors and assigns, should the HUD Secretary acquire title to the Project by power of sale, foreclosure, or by deed-in-lieu of foreclosure.

7. Transfer. Approval by HUD of a Transfer of Physical Assets (as defined in Handbook 4350.1 Rev-i) (“TPA”) shall constitute approval of the transfer by Authority and the Borrower shall deliver to Authority, at the same time as its delivery to HUD, any application for HUD’s approval of a proposed transfer. Also, the Borrower shall require the transferee to expressly assume the Borrower’s obligations under the Authority Documents; provided, however, HUD shall not be required to enforce the requirements of this sentence and if Borrower and any transferee fail to include such assumption in transfer documents, such failure shall not affect the validity of the transfer. Authority shall have the right to specifically enforce the requirement that any transferee assume the Borrower’s obligations under the Authority Documents. In the absence of such written assumption, no transfer shall be deemed to relieve the transferor from any obligations under the Authority Documents.
8. Default under Authority Documents. Authority shall not declare a default under the Authority Documents unless it has received the prior written approval of HUD, and Authority’s right to accelerate the Authority Note during the term of the HUD Capital Advance Documents shall be enforceable only with the prior written approval of HUD.
9. Receiver. Authority, for itself, its successors and assigns further covenants and agrees that in the event of the appointment of a receiver in any action by Authority, its successors or assigns, to foreclose the Authority Deed of Trust, no rents, revenue or other income of the Development collected by the receiver or by the mortgagee-in-possession shall be utilized for the payment of interest, principal, or any other charges due and payable under the Authority Deed of Trust, except from Residual Receipts, if any, as the term is defined in the HUD Regulatory Agreement. The appointment of a receiver shall require approval by the Secretary of HUD, and pursuant to HUD regulations, as long as Authority is the beneficiary under the Authority Deed of Trust, Authority cannot be mortgagee-in-possession. In the event of the appointment, by any court, of any person, other than HUD or Authority, as a receiver or a mortgagee or party in possession, or in the event of any enforcement of any assignment of leases, rents, issues, profits, or contracts contained in the Authority Documents, with or without court action, no rents, revenue or other income of the Development collected by the receiver, person in possession or person pursuing enforcement as aforesaid, shall be utilized for the payment of interest, principal or any other amount due and payable under the provisions of the Authority Documents, except from Residual Receipts in accordance with the HUD Regulatory Agreement. The receiver, person in possession or person pursuing enforcement shall operate the Development in accordance with all provisions of the HUD Capital Advance Documents.

10. Deed in Lieu of Foreclosure. In the event that HUD acquires title to the Property by deed in lieu of foreclosure, the lien of the Deed of Trust will automatically terminate subject to the conditions as hereinafter described. Authority may cure a default under the HUD Deed of Trust prior to conveyance by deed in lieu of foreclosure. HUD shall give written notice to the Borrower of a proposed tender of title in the event HUD decides to accept a deed in lieu of foreclosure. HUD will only give such written notice if, at the time of the placing of the Deed of Trust against the Property, HUD receives a copy of an endorsement to the title policy of the Borrower or Authority which indicates that (a) the Deed of Trust has been recorded and (b) HUD is required to give notice of any proposed election or tender of a deed in lieu of foreclosure. Such notice shall be given at the address stated in the Deed of Trust or such other address as may subsequently, upon written notice to HUD, be designated by Authority as its legal business address. Authority shall have thirty (30) days to cure the default after notice of intent to accept a deed in lieu of foreclosure is mailed.
11. Borrower's Notice to Authority. Notwithstanding the requirements set forth in Paragraph 10 above, in the event that Borrower contemplates executing a deed in lieu of foreclosure, Borrower shall first give Authority thirty (30) days' prior written notice; provided, however, that the failure of the Borrower to give said notice shall have no effect on the right of HUD to accept a deed in lieu of foreclosure.
12. Maturity Date. The Authority Loan Note may not mature, and may not bear a maturity date, prior to the date on which the HUD Note matures. The term of the Authority Loan Documents shall be extended if the Authority Loan Note matures, there are no residual receipts or non-Project funds available for repayment and the HUD Deed of Trust has not been retired in full or if HUD grants a deferment of amortization or forbearance that results in an extended maturity of the HUD Loan Documents.
13. Sale, Transfer or Assignment of the Authority Loan Note. The Authority Loan Note is non-negotiable and may not be sold, transferred, assigned or pledged by Authority except with the prior approval of HUD.
14. Bona Fide Transaction. Authority hereby certifies that this is a bona fide transaction and that it fully understands all the requirements of this Rider, and that no prepayment of principal or interest from Residual Receipts/Surplus Cash shall be accepted without evidence that the Secretary of HUD has authorized such prepayment. If an unauthorized prepayment from Residual Receipts/Surplus Cash is accepted, the funds shall be held by Authority in trust for the Development.
15. Interest Rate. The interest rate is not to exceed the highest permissible rate established by the Secretary of HUD.
16. Amendment. No amendment to the Authority Documents made after the date of this Rider shall have any force or affect until and unless such amendment is approved in writing by HUD.
17. Counterparts. This Rider may be executed in counterparts.

IN WITNESS WHEREOF, the Borrower and Agency have executed this Rider as follows:

“BORROWER”:

_____,
a California limited partnership

By: _____,
a California nonprofit public benefit corporation,
its general partner

By: _____
Its: _____

“AGENCY”

Sacramento Housing and Redevelopment Agency,
a joint powers agency,

By: _____
Its: _____

APPROVED AS TO FORM:

By: _____
Title: _____



RESOLUTION NO. 2012 -

Adopted by the Sacramento City Council

On date of

KELSEY VILLAGE: APPROVAL OF FINANCING DOCUMENTS WITH SATELLITE HOUSING, INC., OR RELATED ENTITY FOR PROPERTY LOCATED AT 2830 STOCKTON BOULEVARD

BACKGROUND

- A. On August 9, 2011, the Housing Authority of the City of Sacramento held a public hearing and approved a Disposition and Development Agreement (DDA) transferring the Kelsey Village property located at 2830 Stockton Boulevard to Satellite Housing, Inc., or related entity.
- B. On August 9, 2011, the Housing Authority of the City of Sacramento and the Sacramento City Council made certain findings and approved a Funding Commitment for a \$2,100,000 construction and permanent loan funded by City Home Investment Partnership Program Funds (HOME) and City Housing Trust Funds (HTF) to assist in funding the construction and permanent financing of the Kelsey Village Project and authorized the Sacramento Housing and Redevelopment Agency (Agency) to execute and transmit a funding commitment to Satellite Housing, Inc., or related entity.
- C. Satellite Housing, Inc., has met the conditions of the Funding Commitment and has requested the Agency to execute the Loan Agreement. The Kelsey Village Apartments project qualifies for HOME and HTF funding under the Sacramento Housing and Redevelopment Agency guidelines.
- D. The project is categorically exempt per California Environmental Quality Act (CEQA) Guidelines section 15332 as an infill project because the site is not more than five acres, is substantially surrounded by urban uses; the project is consistent with the General Plan and will not result in any significant impacts of traffic, noise, air quality or water quality.
- E. An Environmental Assessment was prepared for the Kelsey Village Project and a Finding of No Significant Impact (FONSI) was made in accordance with the National Environmental Policy Act (NEPA) under 24 CFR 58.40. The FONSI was published in the Daily Recorder on September 6, 2011, the comment period closed on September 21, 2011, a Request for Release of Funds and Certification was submitted to the U.S. Department of Housing and Urban Development

(HUD) on September 22, 2011, and the Authority to Use Grant Funds was signed by HUD on October 11, 2011. The actions herein fall within the scope of the project that was previously analyzed; therefore, additional environmental review pursuant to NEPA is not required.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. The above recitals are found to be true and correct including, but not limited to, the environmental findings.
- Section 2. The Loan Agreement, attached to and incorporated in this resolution by this reference, for financing the Kelsey Village Apartments project up to \$1,600,000 in HOME funds and up to \$500,000 in HTF funds for a construction and permanent loan of up to \$2,100,000 is approved and the Sacramento Housing and Redevelopment Agency (Agency) is authorized to execute the Loan Agreement with Satellite Housing Inc., or related entity.
- Section 3. The Agency is authorized to enter into and execute other documents and perform other actions necessary to fulfill the intent of the resolution and the Loan Agreement that accompanies this resolution, in accordance with their respective terms, and to ensure proper repayment of the Agency funds including without limitation, subordination, a United States Department of Housing and Urban Development rider as may be required, extensions, and restructuring of such a loan.

Table of Contents:

Exhibit A: Loan Agreement



CONSTRUCTION AND PERMANENT LOAN AGREEMENT
KELSEY VILLAGE

IN CONSIDERATION of their mutual promises, the parties agree as follows:

- 1. LOAN. The Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement. Lender and Borrower have entered this Loan Agreement as of the Effective Date.
2. DEFINITIONS TABLES. The capitalized terms in this Loan Agreement shall have the meanings assigned in the following Definitions Tables and in Section 3 Definitions. Terms being defined are indicated by quotation marks. If an item in the Definitions Table is marked "None", "Not Applicable", "N/A" or equivalent or is left blank, that defined term is not applicable to this Loan or the referenced item is not required or is not included in this Loan as the context may indicate.

Table A: "LOAN INFORMATION" The general loan provisions of the Loan:
Table with columns for term, definition, and details. Includes rows for Effective Date, Lender, Borrower, Loan, Loan Commitment, Loan Program, Loan Amount, Interest Rate, Payment Start Date, Maturity Date, Borrower Equity, Payment Schedule, and Project.

Table B: "COLLATERAL" The Collateral securing repayment of the Loan, which Collateral consists of the following:
Table with columns for term and definition. Includes rows for Property, Address, Assessor's Parcel Number, and Legal Description.

Borrower's Title Interest	Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.		
"ADDITIONAL COLLATERAL"	The Additional Collateral securing repayment of the Loan is any additional security required by Lender under this Loan Agreement, including without limitation the following items, if any		
"PERSONAL PROPERTY"	Borrower's interest in the following personal property, tangible and intangible, and all other such property listed as security in this Loan Agreement:	Materials and supplies for the Project	
OTHER ADDITIONAL COLLATERAL	Borrower's interest in the following property:	None	

C. "ESCROW INFORMATION":

"Title Company" and "Escrow Agent"	Old Republic Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow.
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	April 4, 2012	Which is the date for close of the Escrow, as it may be extended.

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):

EXHIBIT	DEFINED TERM
<u>Exhibit 1: Legal Description</u>	"Legal Description"
<u>Exhibit 2: Scope of Development</u>	"Scope of Development"
<u>Exhibit 3: Note Form</u>	"Note"
<u>Exhibit 4: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit 5: Regulatory Agreement</u>	"Regulatory Agreement"
<u>Exhibit 6: Escrow Instructions</u>	"Escrow Instructions"
<u>Exhibit 7: Federal Requirements</u>	"Federal Requirements"
<u>Exhibit 8: HUD Rider</u>	"HUD Rider"

E. "APPROVAL DOCUMENTS" Borrower shall submit the following documents for Lender approval:

Construction Agreements for the Project
Architectural Agreement for the Project
Borrower's organizational documents, such as partnership agreements or corporate articles and by-laws
"Budget" for the Project
Evidence of financing as described in this Loan Agreement
Plans and Specifications as defined in this Loan Agreement

F. "ASSIGNED DOCUMENTS" Borrower shall assign the following documents to Lender:

Construction Contract
Architectural Contract

G. "CONSTRUCTION INFORMATION":

"Completion Date"	July 31, 2013	Which is the date on or before which the Completion of the Project must occur.	
"General Contractor"	Sunseri Construction	Which is the general contractor for construction of the Project.	
"Project Architect"	YHLA Architects	Which is the architect for design of the Project	
"Retention"	The following percentage of each disbursement made for construction work, in aggregate not to exceed the following percentage of the Loan Amount, which shall be retained by Lender for disbursement with the final disbursement of the Loan:	Percentage of disbursement:	Ten Percent (10%)
		Percentage of Loan:	Ten Percent (10%)

H. "SPECIAL PROVISIONS" The following special provisions shall be in addition to the provisions of this Loan Agreement:

This Loan is made pursuant to the Disposition and Development Agreement between the Parties, made concurrently with this Loan Agreement ("DDA"). This Loan Agreement is subject to the DDA including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan proceeds.

Loan funds shall be used solely for Project construction. No Loan funds shall be used for predevelopment costs, except as provided in an approved Lender budget. Unless otherwise noted in the budget, predevelopment costs are not subject to withholding as Retention.

At completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender, which cost certification, shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as administrative fee or loan repayment, one-half of such savings from the amount of retention then held by the Lender and the administration fee and or the loan balance shall each be reduced by the amount so withheld. The Lender, in its sole discretion, shall determine any reduction and or repayment of the administrative fee and or loan based upon this cost certification and the original approved Budget for the Project.

Domus Management Company is approved by the Lender as "Property Manager" for the Property and Project.

3. **DEFINITIONS.** Terms not defined in this Loan Agreement shall have the definitions assigned in the Trust Deed. As used in this Loan Agreement, the following terms shall have the following meanings:

3.1. "Annual Operating Expenses" with respect to a particular calendar year shall mean the following costs reasonably and actually incurred for operation and maintenance of the ten (10) non-HUD units to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property taxes and assessments imposed on the Project; debt service currently due on a non-optional basis (excluding debt service due from Residual Receipts or surplus cash of the Project) on the financing set forth in the Budget; property management fees and reimbursements, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by Lender; premiums for property damage and liability insurance; utility services not paid for directly by tenants, including water, sewer, and trash collection; maintenance and repair; any annual license or certificate of occupancy fees required for operation of the Project; security services; advertising and marketing; cash deposited into reserves for capital replacements of the Project in an amount not to exceed the greatest amount required in connection with any of the lenders or financing sources set forth in the Budget; cash deposited into an operating reserve in an amount not to exceed the greater of (i) the greatest amount required in connection with any of the lenders or financing sources set forth in the Budget Approved Financing or (ii) three percent (3%) of Annual Operating Expenses with a cap of six (6) months gross rent from the Project (as such rent may vary from time to time); extraordinary operating costs specifically approved by Lender; and other ordinary and reasonable operating expenses not listed above. Annual Operating Expenses shall not include the following: depreciation, amortization, depletion or other non-cash expenses; any amount expended from a reserve account; and any capital cost with respect to the Project, as determined by the accountant for the Project.

3.2. "Budget" is the budget approved by Lender for the development of the Project.

3.3. "Change" means any extra work or installation of materials not included in the Plans and Specifications or any change in or deviation from the Plans and Specifications.

3.4. "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

3.5. "Completion of the Project" means that, in Lender's judgment the Project has been constructed, rehabilitated, completed, equipped, and furnished in a good and proper manner in accordance with the Plans and Specifications, the Scope of Development and the Budget as approved by Lender; all notices of completion with respect to the Project have been filed and all statutory lien periods have expired; all costs of constructing the Project have been paid, including, without limitation, interest on the Note which may be due prior to the Completion Date; all necessary certificates of occupancy have been issued; and all of the conditions to final disbursement of the Loan have been satisfied.

3.6. "DDA" has the meaning set forth in Section H, 1.

3.7. "Escrow" is the escrow with Title Company for the closing of the Loan.

3.8. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

3.9. "Event of Default" is breach of or default in a party's obligations under this Loan Agreement, the Trust Deed, the Note and any other instrument which is incorporated in this Loan Agreement or which otherwise secures the repayment of the Loan as further defined in Section 12.

3.10. "Financial Statements" means the financial statements of Borrower (and any other persons on whose financial capacity the Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

3.11. "Fixtures" means all fixtures located on or within the Project or now or later installed in or used in connection with any of the Project, including, as applicable and without limitation, all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, built-in refrigerators, and gas and electric machinery, appurtenances, and equipment, whether or not permanently affixed to the Project.

3.12. "Governmental Authority" means the United States of America, the State of California, the County of Sacramento, the City of Sacramento or any other political subdivision, agency, department, commission, board, bureau, or instrumentality of any of them.

3.13. "Governmental Requirement" means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

3.14. "Gross Revenue" means with respect to a particular calendar year all revenue, income, receipts, and other consideration actually received from operation and leasing of the ten (10) non-HUD units but specifically excluding interest on Partnership reserves. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants; rental subsidy payments received for the dwelling units; operating subsidies received for the Project; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance not used to rebuild the Project and not paid to senior lenders; and condemnation awards for a taking of part of all of the Project for a temporary period. In addition, any amount released without lender approval from any escrow account including operating reserves and Development Reserves in a Fiscal Year shall be considered gross revenue of the Partnership for such Fiscal Year. Gross Revenue shall not include tenants' security deposits, loan proceeds, or similar advances.

3.15. "Loan" is the loan from Lender to Borrower made pursuant to this Loan Agreement.

3.16. "Loan Agreement" means this Construction and Permanent Loan Agreement, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

3.17. "Loan Documents" means the Note, this Loan Agreement, the Security Documents, and all other documents (including guaranties) evidencing, securing, or relating to the Loan.

3.18. "Loan Proceeds" means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.

3.19. "Other Lender Draw" means a draw request or other request for disbursement submitted to another lender for the Project.

3.20. "Personalty" means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than

Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

3.21. "Plans and Specifications" means the final set of architectural, structural, mechanical, electrical, grading, sewer, water, street, and utility plans and specifications for the Project, including all supplements, amendments, and modifications.

3.22. "Potential Default" means an event that would constitute an Event of Default but for any period of grace or time to elapse.

3.23. "Project" means the development of the Property in accordance with the Scope of Development attached as Exhibit 2 and Plans and Specifications including, without limitation, all existing buildings, improvements, and appurtenances on the Property, all work of demolition and rehabilitation to be conducted on the Property, and all improvements, additions, and replacements constructed or placed at any time on the Property.

3.24. "Residual Receipts" means in a particular calendar year the amount by which Gross Revenue exceeds Annual Operating Expenses.

3.25. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.

3.26. "Senior Loan" means the construction loan from Wells Fargo Bank in the approximate amount of Two Million Eight Hundred Seventy Eight Thousand One Hundred Forty Dollars (\$ 2,878,140).

3.27. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.

3.28. "Unavoidable Delay" is a delay in the performance by a party of any obligation which delay is unforeseeable and beyond the control of such party and without its fault or negligence. Unavoidable Delay shall include acts of God, acts of the public enemy, acts of the Federal Government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, , and unusually severe weather (as for example, floods, tornadoes, or hurricanes) or delays of subcontractors due to such causes. In the event of the occurrence of any such enforced delay, the time or times for performance of such obligations of the parties shall be extended for the period of the enforced delay, as determined by the Lender, provided that the party seeking the benefit of the provisions of this Section shall, within thirty (30) days after it has or should have knowledge of any such enforced delay, have first notified the other party, in writing, of the delay and its cause, and requested an extension for the period of the enforced delay.

4. BORROWER'S REPRESENTATIONS AND WARRANTIES. As a material inducement to Lender to enter into this Loan Agreement and to make the Loan to Borrower, Borrower unconditionally, and each signatory who signs on its behalf, to the extent of their actual knowledge, represents and warrants to Lender, as of the Close of Escrow, as follows:

4.1. **LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated in the Definitions, is qualified to do business in California, and has full power to consummate the transactions contemplated.

4.2. **BORROWER'S POWERS.** Borrower has full authority to execute this Loan Agreement, the Note, the Trust Deed, and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

4.3. **BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents constitute a legal and binding obligation of, and are valid and enforceable against, each party other than Lender, in accordance with the terms of each.

4.4. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

- 4.5. **NO OTHER BREACH.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which the Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.
- 4.6. **NO DEFAULT.** There is no Event of Default or Potential Default on the part of Borrower.
- 4.7. **TITLE TO PROPERTY.** Borrower is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.
- 4.8. **NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the construction of the Project or the permanent financing of the Project except as has been specifically disclosed to and approved by Lender in writing.
- 4.9. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a valid lien.
- 4.10. **USE OF PROCEEDS.** All Loan Proceeds will be disbursed as provided in this Loan Agreement and used only for payment of the costs of construction of the Project in accordance with the Plans and Specifications and for other purposes specified in the Loan.
- 4.11. **TAXES PAID.** Borrower has filed all required Federal, State, County, and City tax returns and has paid all taxes due and owing. Borrower knows of no basis for additional assessments with respect to any taxes, other than the lien of taxes not yet due.
- 4.12. **PLANS AND SPECIFICATIONS.** The Plans and Specifications are satisfactory to Borrower and the General Contractor and have been approved by the Lender and all other construction lenders. There are no structural defects in the Project as shown in the Plans and Specifications that are known to or reasonably should have been known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.
- 4.13. **ACCURACY.** All applications, financial statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.
5. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, an amount not to exceed the Loan Amount, to finance the development of the Project and for other purposes as specified in the Scope of Development, subject to the terms, conditions, representations, warranties, and covenants in this Loan Agreement.
- 5.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the actual disbursements of the Lender on account of the Project, not to exceed the amounts stated in the Budget (as the Budget may be adjusted by written approval of Lender). In any event, the principal amount of the Loan shall not exceed the Loan Amount.
- 5.2. **USE OF LOAN FUNDS.** Loan funds shall be used solely for actual costs of the Project as stated in the Budget. No Loan funds shall be used for any costs, except as provided in the Budget. Unless otherwise noted in the Budget, allowed predevelopment costs, if any, are not subject to the withholding as Retention.
- 5.3. **LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.
- 5.4. **CLOSING IN ADVANCE OF SENIOR LOAN.** Lender will subordinate this Loan to the senior loan, provided that the senior loan does not require modification of this Loan Agreement or Lender's entry into any agreements containing new or modified Loan terms.

5.5. **NOTE AND SECURITY DOCUMENTS.** The Loan is to be evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is to be secured by the Trust Deed covering the Property and the Project. Borrower shall execute the Trust Deed in favor of the Title Company as Trustor in trust for the benefit of Lender and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

5.6. **REGULATORY AGREEMENT.** The Regulatory Agreement imposing covenants, conditions and restrictions running with the land is a material consideration for the making of the Loan. Borrower shall execute the Regulatory Agreement prior to Close of Escrow and deliver it to Escrow for recordation.

5.7. **ESCROW.** The parties shall open the Escrow promptly after the Effective Date. Escrow shall close as provided in the Escrow Instructions on or before the Closing Date.

5.8. **COMMISSIONS.** Lender is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

6. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Loan Agreement:

6.1. **CONDITION OF TITLE.** Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

6.2. **CONDITIONS TO LENDER'S PERFORMANCE.** Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower's representations and warranties in this Loan Agreement are true and correct as of the Close of Escrow; (d) the Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under the Loan Agreement; and (e) Lender has approved the Approval Documents.

6.3. **CONDITIONS TO BORROWER'S PERFORMANCE.** Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) Lender has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (c) Borrower has met the Conditions to Close of Escrow, (d) Lender's representations and warranties in this Loan Agreement are correct as of the date of this Loan Agreement and as of the Close of Escrow; and (e) the Loan Agreement continues to be in full force and effect, no default on the part of Lender has occurred under the Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Lender under the Loan Agreement.

7. **RELOCATION.** Lender is required by law to provide relocation services and make relocation payments to eligible tenants that are displaced as a result of the Project. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Project. Borrower's compliance with the relocation requirements as stated in this Section 7 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 7 is an Event of Default, subject to Borrower's opportunity to cure in accordance with applicable law.

7.1. **RELOCATION COSTS.** Unless otherwise stated in this Agreement, any amounts paid by Lender for relocation costs and services shall be considered advances under the Loan.

7.2. **COOPERATION AND ACCESS.** Borrower shall cooperate fully with Lender in complying with such relocation laws, including without limitation, providing Lender access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Borrower shall meet with Lender to establish reasonable protections for tenants and related reporting requirements for Borrower.

7.3. **BORROWER AS RELOCATION AGENT.** With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties

related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services: (a) shall comply with all applicable law; (b) shall fully inform Lender of all relocation activities; (c) shall make all requests for direction or clarification to Lender; and (d) shall respond to and follow the Lender's instruction and direction.

8. **CONSTRUCTION.** As a condition of the Loan, Borrower will diligently proceed with construction in accordance with the Scope of Development as approved by Lender. Borrower shall complete such work on or before the Completion Date, subject to Unavoidable Delay.

8.1. **CHANGES.** In order to assure sufficient funding for the Project, Borrower shall not authorize any Change without the prior written consent of Lender. If in the judgment of Lender, a Change, together with all other Changes contemplated or previously approved by Lender, will cause an increase in the cost of the Project in excess of the contingency reserve identified in the Budget, then Borrower will, as a condition precedent to Lender's consent, provide Lender with proof that the contingency reserve has been increased as necessary to pay for all such Changes. Borrower will submit any such Change to Lender for approval on a form acceptable to Lender, together with approvals by the Project Architect, if any, and the General Contractor. Borrower shall maintain funds available in the contingency reserve that are in substantially the same percentage of the original contingency reserve as the percentage of the Project then remaining to be completed.

8.2. **CONTRACTORS AND CONTRACTS.** Upon Lender's request, Borrower will furnish to Lender correct lists of all contractors, subcontractors and material suppliers employed in connection with the Project, specifying their addresses, their respective portion of the Project and their respective Project cost. Lender may contact directly each contractor, subcontractor, and material supplier to verify the facts disclosed by the list or for any other purpose related to the Loan. All contracts let by Borrower or its contractors relating to the Project will require them to disclose to Lender information sufficient to make such verification.

8.3. **NO DISCRIMINATION DURING CONSTRUCTION.** Borrower for itself, the general contractor and their respective successors and assigns, agrees that the following provisions shall apply to, and be contained in all contracts and sub-contracts for the construction of the Project.

8.3.1. **EMPLOYMENT.** Borrower shall not discriminate against any employee or applicant for employment because of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation. Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status, or sexual orientation. Such action shall include, but not limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Borrower agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Lender setting forth the provisions of this nondiscrimination clause.

8.3.2. **ADVERTISING.** Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, creed, sex, marital status, national origin, ancestry, familial status, or disability.

8.3.3. **MONITORING PROVISIONS.** Borrower, Contractor and subcontractors shall comply with the requirements of the Agency for monitoring the anti-discrimination and all applicable labor requirements.

8.4. **INSPECTION.** Lender may, at any time and without notice to Borrower, enter on the Property and inspect the Project; and, during regular business hours, examine the books, records, accounting data, plans, shop drawings, specifications, and other documents of Borrower pertaining to the Project and to make extracts or copies. Borrower shall make all such documents available to Lender promptly on demand. Borrower agrees to cooperate fully (and to cause the General Contractor to cooperate fully) with the Lender and its Lender's designated agent and to permit all appropriate access to the Property and to all relevant books and records. Borrower shall bear the cost of reasonable inspections, except that Lender shall bear its costs of inspection. If however, Lender's inspection discovers issues of a nature that require further third-party review or investigation, Borrower shall bear the costs of such third party review.

8.5. **PROTECTION AGAINST LIEN CLAIMS.** Borrower shall promptly and fully discharge all claims for labor, materials and services in connection with the Project. Borrower shall promptly file a valid Notice of Completion on completion of the Project. Borrower shall promptly file a Notice of Cessation in the event of a cessation of labor on the Project for a continuous Period of (30) days or more. Borrower shall take all other reasonable steps to protect against the assertion of lien claims against the Property. Within twenty (20) days after the filing of any claim of lien against the Property, Borrower shall record a surety bond in the office of the Recorder of the County where the Property is located in an amount sufficient to release the claim of lien or deliver to Lender any other assurance as may be acceptable to Lender as evidenced by Lender's written acceptance of such assurance.

8.5.1. Lender, at any time, may require Borrower to obtain a lien waiver with respect to each payment to the General Contractor and each payment by the General Contractor or Borrower to each of the various subcontractors and material suppliers. Lender, at any time, may require Borrower to make any payments for the Project by joint check made payable to the General Contractor and subcontractor for whose account the payment is to be made, as joint payees.

8.5.2. In any event, Borrower is not required to pay, prior to adjudication, any claims for labor, materials, or services that Borrower, in good faith, reasonably disputes, and that Borrower, at its own expense, is currently and diligently contesting in the proper forum, provided that Borrower has filed the surety bond or given Lender such other assurance as Lender accepts in writing.

8.6. **OTHER LENDER DRAW.** Borrower shall provide Lender with true, accurate and correct copies of each Other Lender Draw, if any, including without limitation all supporting information, documents, and other required submittals. Lender shall have the right to reject an Other Lender Draw, for failing to comply with the Loan, for changing the Project in any material way, or for impairing the ability of Lender to enjoy the practical realization of its rights under the Loan and its related instruments. If Lender rejects an Other Lender Draw, Borrower shall withdraw the Other Lender Draw and shall not accept and shall return any disbursement on account of such Other Lender Draw.

8.6.1. **ACKNOWLEDGMENT OF RELIANCE.** Borrower acknowledges that Lender is making Loan disbursements in advance of disbursements of other lenders in reliance upon Borrowers compliance with this provision.

8.6.2. **LIQUIDATED DAMAGES.** IF BORROWER FAILS TO PROVIDE TO LENDER ANY OTHER LENDER DRAW, AS AND WHEN REQUIRED UNDER THIS LOAN AGREEMENT, LENDER SHALL BE IRREPARABLY HARMED IN THAT BORROWER'S ABILITY TO REPAY THE LOAN AND LENDER'S SECURITY FOR THE LOAN SHALL BE IMPAIRED TO AN UNKNOWN EXTENT. BORROWER AND LENDER AGREE THAT IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL RESULTING DAMAGES IN SUCH EVENT. BORROWER AND LENDER, THEREFORE, AGREE THAT AN AMOUNT EQUAL TO TWO PERCENT (2%) OF THE LOAN AMOUNT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO LENDER ON ACCOUNT OF SUCH EVENT, RECEIPT OF WHICH SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF LENDER FOR SUCH EVENT, AND ONLY FOR SUCH EVENT. PAYMENT OF SAID AMOUNT TO LENDER AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT INSTEAD, IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO LENDER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE. SAID AMOUNT SHALL BE IMMEDIATELY DUE AND PAYABLE AS OF THE DATE ON WHICH BORROWER DELIVERED SUCH OTHER LENDER DRAW TO THE OTHER LENDER. LENDER SHALL HAVE THIRTY (30) DAYS AFTER RECEIVING ACTUAL NOTICE OF SUCH EVENT TO NOTIFY BORROWER IN WRITING THAT LIQUIDATED DAMAGES UNDER THIS SECTION ARE DUE. BORROWER SHALL HAVE FIFTEEN (15) DAYS AFTER SUCH WRITTEN NOTIFICATION TO CURE THE DEFAULT BY WITHDRAWING THE OTHER LENDER DRAW AND RETURNING ANY DISBURSEMENT ON ACCOUNT OF SUCH OTHER LENDER DRAW. IF BORROWER FAILS TO PAY LIQUIDATED DAMAGES WHEN DUE UNDER THIS SECTION, THE LOAN SHALL BE ALL DUE AND PAYABLE AT THE ELECTION OF LENDER.

_____ Lender's Initials

_____ Borrower's Initials

8.7. **NO PRIOR LIENS.** Borrower shall not allow the Project construction to begin or materials to be delivered to the Project until after Close of Escrow.

9. **PREVAILING WAGES.** In accordance with Labor Code Section 1720(c)(6)(E), so long as the public subsidy for the Project consists of below market rate loans, and the Project restricts occupancy on at least 40% of the units for at least 20 years to individuals or families earning no more than 80% of the area median income, the Project is not subject to

prevailing wages. Borrower represents to the Lender that Borrower has obtained no public subsidy for the Project that does not meet such criteria. If Borrower obtains other non-qualifying public subsidy, Borrower shall pay prevailing wages for the Project. Therefore, Borrower indemnifies, holds harmless and defends the Lender from all additional wages, benefits, fees, penalties, fines, legal fees, court costs, arbitration costs, and other costs arising from the improper application of California prevailing wage laws to the Project by Borrower or General Contractor or both of them. If more than eleven (11) units are assisted with HOME funds as the Funding Source (as indicated in the Regulatory Agreement), Borrower shall comply with Davis-Bacon prevailing wage requirements as described in the Federal Requirements

10. LOAN DISBURSEMENT PROCEDURES.

10.1. CONDITIONS PRECEDENT TO EACH LOAN DISBURSEMENT. The obligation of Lender to make any disbursements under this Loan Agreement shall be subject to the following conditions precedent:

10.1.1. No Event of Default or Potential Default of Borrower has occurred and is continuing.

10.1.2. If requested by Lender, Borrower has furnished to Lender, as a Project cost, an endorsement to the Title Policy showing no intervening liens or encumbrances on the Property and insuring the full disbursement, together with a satisfactory report under the California Uniform Commercial Code showing no liens or interests other than those of Lender.

10.1.3. Lender is satisfied that all completed work has been done using sound, new materials and fixtures, in a good and proper manner, and all materials, fixtures, and furnishings installed on or acquired for the Property will be owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest, and the liens of other approved lenders.

10.1.4. The representations and warranties in the Loan Documents are correct as of the date of the requested disbursement.

10.1.5. Borrower has paid Lender all commitment, loan, and other fees then due, and Borrower has submitted to Lender all documents, records, statements, certificates, reports, and other materials and information then required to be submitted to Lender for approval under this Loan Agreement.

10.1.6. Borrower has delivered to Lender all funds, documents, instruments, policies, evidence of satisfaction of conditions, and other materials then due or otherwise requested by Lender under the Loan Documents.

10.2. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT. Borrower's request for the first Loan disbursement is a representation and warranty by Borrower that there has been no material adverse change in Borrower's financial capacity or in any representation made to Lender in Borrower's application for the Loan or Borrower's supporting documentation. Lender shall make the first loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

10.2.1. There is no legal action threatened or pending against Borrower or affecting the Property or any Additional Collateral.

10.2.2. The Section 811 Firm Commitment for Capital Advance Financing is in full force and effect, has not been modified and no event has occurred that with notice or the passage of time or both could result in its termination. Borrower has done all things necessary to keep unimpaired its rights under the Section 811 Capital Advance Financing program.

10.2.3. The Amended and Restated Limited Partnership Agreement (Partnership Agreement) between the partners and the funding obligations by and between the partners, including but not limited to the funding agreements regarding the contribution and use of the Section 811 Capital Advance Financing have been executed and are in full force and effect. Nothing contained in the Partnership Agreement, or submissions and approvals made under it, conflicts with this Loan Agreement. Borrower has done all things necessary to keep unimpaired its rights under the Partnership Agreement.

10.2.4. All conditions to Close of Escrow have been satisfied in accordance with the Loan Agreement.

10.2.5. Borrower has obtained and Lender has approved a loan approval from HUD, or a financial institution or other lender approved by Lender in its sole discretion, to make the permanent financing obtained by Borrower, or has

obtained commitments to issue bonds, which repays after completion of the Project all construction and other loans secured by the Project and which is secured by a senior lien against the Property. Such permanent financing approval must provide: (a) that it is subject only to those conditions that are usual and customary in the industry and that can be satisfied by the proposed closing date of the permanent financing; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults.

10.2.6. Borrower has provided proof of all insurance required by the Loan Documents.

10.2.7. The construction lender's commitment to make a construction loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the permanent loan commitment, or submissions and approvals made under it, conflicts with this Loan Agreement. Borrower has done all things necessary to keep unimpaired its rights under the loan commitment for the construction lender's construction loan.

10.2.8. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents.

10.3. CONDITIONS PRECEDENT TO FINAL DISBURSEMENT. Lender shall make the final loan disbursement under this Loan Agreement when the following conditions precedent and the conditions precedent stated in Section 10.1 have been met:

10.3.1. As applicable, the Project Architect and the Lender's designated agent will have certified to Lender, on AIA Form G704 and in a manner satisfactory to Lender:

- a. That the Project has been duly completed in a good and proper manner using sound, new materials;
- b. That the Project complies with the Plans and Specifications, the requirements of all Governmental Authorities and any other party having enforceable rights regarding the construction of the Project; and
- c. That the Project is structurally sound.

10.3.2. Borrower has provided to Lender a true, accurate and complete copy of the final draw request to all other lenders for the Project.

10.3.3. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents.

10.3.4. Title policy endorsements in form and amount satisfactory to Lender (including an endorsement insuring lien-free completion of the Project) have been furnished to Lender.

10.3.5. Borrower has furnished evidence, in form and substance satisfactory to Lender, that:

- a. The General Contractor and subcontractors and material suppliers and their subcontractors and material suppliers have been paid in full;
- b. Borrower has obtained final certificates of occupancy for all of the Project;
- c. All other permits and approvals necessary for the construction, equipping, management, operation, use, or ownership of the Project have been obtained, subject only to those conditions approved by Lender, and
- d. The completed Project complies with all applicable zoning regulations, subdivision map acts, building code provisions, and similar governmental laws and regulations, and has all utilities and adequate ingress and egress from public streets, that evidence to be in the form of a certificate executed by Borrower in favor of Lender.

10.3.6. That Borrower has provided to Lender an inventory showing make, model, value, cost, and location of all furniture, fixtures, and equipment and other personal property of a value in excess of \$1,000 and used in the management, maintenance, and operation of the Project, that are included in the collateral for the Loan.

10.3.7. Borrower has filed a notice of completion of the Project necessary to establish the commencement of the shortest statutory period for filing of mechanics' and materialmen's liens.

10.3.8. Borrower has submitted to Lender a final cost certification prepared by a CPA.

10.4. **MAKING DISBURSEMENT.** Lender shall pay each disbursement request within twenty (20) business days after the disbursement request is submitted to Lender, subject to fulfillment of the conditions precedent as stated in Section 10.1. Lender shall disburse the actual cost of the work represented in the disbursement request by Borrower, reduced by the cost of work included in the request and not satisfactorily completed and by the amount of the Retention to be withheld.

10.5. **COMPLIANCE.** To the best of Borrower's knowledge, the construction, use, and occupancy of the Property and Project comply in full with, or if built according to the Plans and Specifications, will comply in full with, all Governmental requirements. No right to construct or use the Project is to any extent dependent on any real property other than the Property. All approvals, licenses, permits, certifications, filings, and other actions normally accepted as proof of compliance with all Governmental requirements by prudent lending institutions that make loans secured by real property in the general area of the Property, to the extent available as of the date of this Loan Agreement, have been given or taken, or Borrower is entitled to have them given or taken as the ministerial act of the applicable Governmental Authority.

11. RESIDENTIAL OPERATIONS.

11.1. **PROPERTY MANAGEMENT COMPANY.** For the life of the Loan, Borrower shall obtain and maintain a property management agreement with a top quality and duly accredited real estate property management company for the management of the Property, and shall assure the compliance of the property management with such agreement. Lender shall not disburse any funds under this Loan Agreement unless and until it has reviewed and approved the agreement as adequate and the property management company as top quality and duly accredited. Lender shall have the right to review and approve any proposed changes to scope of said agreement and to changes in the real estate property management company, prior to Borrower's making such changes. Any such changes made without Lender approval shall be a default of the loan. The Lender has approved the Property Manager as a qualified property management company for the Project.

11.2. **REPLACEMENT RESERVES.** Borrower shall commence and maintain the collection of reserves by August 1, 2013 for replacement and repairs required to be made to the Property, fixtures on the Property or personal property used on the Property, or otherwise as approved by Lender, in an amount, at all times, not less than Two Hundred Fifty Dollars (\$250) for each residential unit in the Project

11.3. **VERIFICATION OF NET INCOME.** When requested by Lender, Borrower shall provide certified financial statements and such other evidence as the Lender may deem necessary to verify the Project net income, including without limitation copies of certified rent rolls, bank statements, billing statements and invoices.

12. DEFAULT.

12.1. **EVENTS OF DEFAULT.** Subject to the notice and cure provisions set forth in Section 16 of the Trust Deed, at the option of Lender, each of the following events will constitute an Event of Default, subject to applicable cure rights, if any:

12.1.1. The occurrence of an Event of Default under the Trust Deed.

12.1.2. Subject to Borrower's legal rights to contest a governmental requirement, Borrower's failure to comply with any governmental requirements, unless within ten (10) days after notice of such failure by Lender or the respective governmental entity or after any action has been commenced to enforce such requirement, Borrower has cured such failure.

12.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the construction, occupancy, or use of the Project, unless within ten (10) days after notice by the issuing entity or Lender of such failure, Borrower has promptly cured such failure.

12.1.4. Any material deviation from the Plans and Specifications in the construction of the Project, or the appearance or use of defective workmanship or materials in the construction of the Project, if Borrower fails to remedy

them or to diligently proceed to remedy them to Lender's satisfaction within ten (10) days after Lender's written demand to do so.

12.1.5. Borrower's failure to complete the construction of the Project by the Completion Date.

12.1.6. The filing of any lien against the Property or Project or the service on Lender of any bonded stop notice related to the Loan, if the claim of lien or bonded stop notice continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender.

12.1.7. The attachment, levy, execution, or other judicial seizure of any portion of the Property or Project, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within thirty (30) days after the attachment, levy, execution, or seizure.

12.1.8. Making of any unauthorized payment from Loan Proceeds or other funds of Lender.

13. REMEDIES.

13.1. **OPTION TO ACT.** Subject to the notice and cure provisions set forth in Section 16 of the Trust Deed, on the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

13.1.1. Terminate its obligation to make disbursements.

13.1.2. Declare the Note and all other sums owing to Lender with respect to the other Loan Documents immediately due.

13.1.3. Make any disbursements after the happening of any one or more of the Events of Default, without waiving its right to demand payment of the Note and all other sums owing to Lender with respect to the other Loan Documents or any other rights or remedies and without liability to make any other or further disbursements, regardless of Lender's previous exercise of any rights and remedies.

13.1.4. Proceed as authorized at law or in equity with respect to the Event of Default, and in connection with that, remain entitled to exercise all other rights and remedies described in this Loan Agreement or the Trust Deed.

13.1.5. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the maximum amount allowed by law from the date the funds were spent until repaid which amounts will be deemed secured by the Trust Deed.

13.2. **RIGHTS CUMULATIVE, NO WAIVER.** All of Lender's rights and remedies provided in this Loan Agreement or in any of the other Loan Documents are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy will not constitute a cure of any Event of Default unless all sums then due to Lender under the Loan Documents are repaid and Borrower has cured all other Events of Default. No waiver will be implied from Lender's failure to take, or delay in taking, any action concerning any Event of Default or from any previous waiver of any similar or unrelated Event of Default. Any waiver under any of the Loan Documents must be in writing and will be limited to its specific terms.

13.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable to construct, complete, or protect the Project; to pay any expense in connection with the exercise of any remedy; or to perform any other obligation of Borrower.

13.4. **GRANT OF POWER.** Subject to the prior rights of lenders whose loans are secured by the Property and senior to the rights of Lender, Borrower irrevocably appoints Lender as its attorney-in-fact, with full power and authority, including the power of substitution, exercisable on the occurrence of an Event of Default and during the continuance thereof, to act for Borrower in its name, place, and stead as provided in this Loan Agreement, to take possession of the Property and Project, remove all employees, contractors, and agents of Borrower, to complete or attempt to complete the work of construction, and to market, sell, or lease the Property and Project; to make any additions, changes, and corrections in the Plans as may be necessary or desirable, in Lender's sole discretion, or as it deems proper to complete the Project; to employ

any contractors, subcontractors, suppliers, architects, inspectors, consultants, property managers, and other agents that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property or Personalty, or for the protection of Lender's interests, to employ security guards to protect the Property and Project from injury or damage; to pay, settle, or compromise all bills and claims then existing or later arising against Borrower that Lender, in its sole discretion, deems proper for the completion of the Project, for the protection or clearance of title to the Property, or for the protection of Lender's interests; to prosecute and defend all actions and proceedings in connection with the Property or Project; and to execute, acknowledge, and deliver all other instruments and documents in the name of Borrower that are necessary or desirable, to exercise Borrower's rights under all contracts concerning the Property or Project, and to do all other acts with respect to the Property or Project that Borrower might do on its own behalf, in each case as Lender in its reasonable discretion deems proper.

14. LIABILITY INSURANCE. With regard to this Loan Agreement, the Borrower shall obtain and maintain for the life of the Regulatory Agreements, and require the General Contractor and subcontractors for the Project to obtain and maintain for the term of the development of the Project, such insurance as will protect them, respectively, from the following claims which may result from the operations of the Borrower, General Contractor, subcontractor or anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable: (a) claims under workers' compensation benefit acts; (b) claims for damages because of bodily injury, occupational sickness or disease, or death of its employees; (c) claims for damages because of bodily injury, sickness or disease, or death of any person other than its employees; (d) claims for damages insured by usual personal injury liability coverage which are sustained (1) by any person as a result of an offense directly or indirectly related to the employment of such person by the Borrower, or (2) by any other person; claims for damages, other than to the construction itself, because of injury to or destruction of tangible property, including resulting loss of use; (e) claims for damages because of bodily injury or death of any person or property damage arising out of the ownership, maintenance or use of any motor vehicle; and (f) claims for contractual liability arising from the Borrower's obligations under this Loan Agreement.

14.1. LIABILITY INSURANCE POLICY LIMITS. Borrower shall obtain all insurance under this Section 13 written with a deductible of not more than ONE HUNDRED THOUSAND DOLLARS (\$100,000) or an amount approved by Lender, and for limits of liability which shall not be less than the following:

14.2. WORKER'S COMPENSATION. Borrower shall obtain and maintain worker's compensation coverage shall be written for the statutory limits as required by Article 1 (commencing with Section 3700) of Chapter 4 of Part 1 of Division 4 of the California Labor Code (as it may, from time to time, be amended) and having an employer's liability of not less than \$1,000,000.

14.3. COMMERCIAL GENERAL LIABILITY. Borrower shall obtain and maintain Commercial General Liability insurance in Insurance Services Office ("ISO") policy form CG 00 01 Commercial General Liability (Occurrence) or better. Such insurance shall have limits of liability, which are not less than \$1,000,000, per occurrence limit; \$5,000,000 general aggregate limit, and \$5,000,000 products and completed operations aggregate limit, all per location of the Project.

14.4. COMPREHENSIVE AUTOMOBILE LIABILITY. Borrower shall obtain and maintain comprehensive automobile liability coverage for any vehicle used for, or in connection with, the Project (owned, nonowned, hired, leased) having a combined single limit of not less than \$1,000,000.

14.5. PROPERTY INSURANCE. For the duration of the Regulatory Agreement, Borrower shall obtain and maintain property insurance in ISO policy form CP 10 30 - Building and Personal Property Coverage - Causes of Loss - Special Form, to the full insurable value of the Property with no coinsurance penalty (and with endorsements of Builder's Risk until completion of construction of the Project), Boiler and Machine to the extent necessary to obtain full insurance coverage, and with such other endorsements and in such amounts as the Lender may reasonably require to protect the Project and the Property. In the event of damage to the Project and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Project and the public improvements.

14.6. INSURANCE PROVISIONS. Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A VII, which rating has been substantially the same or increasing for the last five (5) years, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. Each policy shall contain the following provisions as applicable, unless otherwise approved by Lender's legal counsel in writing in advance:

14.6.1. **ADDITIONAL INSURED.** Borrower shall obtain a policy in ISO form CG 20 33 or better, naming Lender as additional insured under the Commercial General Liability Policy.

14.6.2. **SINGLE PROJECT INSURANCE.** It is the intent of the parties that the Project have available all the specified insurance coverages. Borrower shall not provide insurance coverages that are considered in aggregate with other Projects which Borrower or its General Contractor might have concurrently under construction. The Lender may at its discretion permit an aggregate policy if and only if Borrower or the respective General Contractor or subcontractor has fully disclosed to Lender other projects which will or may be considered in aggregate with the Project, and thereafter, Borrower shall immediately inform Lender of the change in or addition to any such projects. Nevertheless, Lender may, at any time require that the insurance coverage be provided solely for the Project.

14.6.3. **CERTIFIED POLICY COPY.** Borrower shall provide Lender with a certified copy of each required policy of insurance. Pending delivery of the certified policy, Borrower shall provide Lender with a Certificate of Insurance of Insurance for each policy on the applicable ACORD form. The ACORD form shall not substitute for the policy. ACORD 25-S "Certificate of Liability Insurance shall be used for liability insurance deleting the sentence in the top right-hand block immediately below the title (commencing "This certificate is issued as a matter of information . . .) and in the bottom right-hand box above the authorized representative signature, deleting the words "endeavor to" and "but failure to do so shall impose not obligation or liability of any kind upon the insurer, its agents or representatives."

a) **CANCELLATION.** Each policy shall bear an endorsement precluding cancellation or termination of the policy or reduction in coverage unless the Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date. In the alternative to such endorsement, Borrower will provide the Lender with the cancellation clause and/or any amendatory endorsements that modify or change the policy cancellation clause of the insurance policies in force. It is the Borrower's responsibility to notify the Lender of any notice of cancellation, non-renewal or non-payment of premium in accordance with your policy provisions. In the event insurance is cancelled or not renewed, the Borrower shall notify the Lender within forty eight (48) hours of such cancellation or non-renewal.

_____ **Borrower's Initials**

14.7. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, the Lender shall have the right, upon seven (7) days written notice and opportunity to cure, to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to the Lender. If Borrower fails to reimburse the Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

14.8. **BLANKET COVERAGE.** Borrower's obligation to carry insurance as required under this Section 14 may be satisfied by coverage under a "blanket" policy or policies of insurance (as the term is customarily used in the insurance industry); provided, however, that the Lender shall nevertheless be named as an additional insured under such blanket policy or policies to the extent required by this Section, the coverage afforded the Lender will not be reduced or diminished thereby, and all of the other requirements of this Section 14 with respect to such insurance shall otherwise be satisfied by such blanket policy.

15. MISCELLANEOUS.

15.1. **NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

15.2. **CURE BY PARTY OTHER THAN BORROWER.** Any lender whose loan is secured by the property and any partner of Borrower may cure a default of the Loan, provided that such cure rights shall be the same as Borrower's cure rights. Such other curing party must cure by the date on which Borrower was obligated to cure, except if Lender is obligated by this Loan Agreement to give separate notice to such other curing party, in which instance, the cure period shall begin when Lender makes such notice to such other curing party.

15.3. **CONDEMNATION.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. In the event of a taking of all of the Property, the proceeds shall be applied to the sums provided by this Loan, subject to any claims of prior lienholder, with the excess, if any, paid to junior lienholders and Borrower, as they may determine. In the event of the partial taking of the Property, unless Borrower and Lender otherwise

agree in writing, or a senior lender allows Borrower to use such proceeds to repair or rebuild the Property, and subject to any claims of prior lienholders, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to junior lienholders and Borrower, as they may determine.

If the condemnor offers to make an award or settle a claim for damages to the Property and: (1) the Property is abandoned by Borrower; or (2) after notice by Lender to Borrower of the condemnor's offer, Borrower fails to respond to Lender within 30 days after the date such notice is mailed; Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

15.4. SUBORDINATION. Lender will subordinate this Loan to the HUD Section 811 Capital Advance Financing, provided that the Lender's execution of any agreements containing new or modified Loan terms or Lender's execution of any agreement does not create a contractual relationship between Lender and the lender or grantor of the Section 811 Capital Advance Financing including obligations or liabilities between Lender and any corporate, limited liability company, general or limited partnership or other such entity either receiving or giving Section 811 Capital Advance Financing proceeds funding the project. Such subordination shall be evidenced by the HUD Rider as attached hereto as Exhibit 8: HUD Rider.

15.5. FEDERAL REQUIREMENTS. If any Loan Program is federally funded, Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of such funds. Lender shall fully cooperate with, and assist, Borrower in fulfillment of such obligations.

15.6. NATURE OF REPRESENTATIONS AND WARRANTIES. Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

15.7. FINANCIAL STATEMENTS. Borrower shall provide Financial Statements when requested by Lender, but in any event not more often than quarterly during construction of the Project or annually, thereafter. Borrower shall assure that Financial Statements are prepared in accordance with generally accepted accounting principles. If requested by Lender as reasonably necessary to assure the security of its Loan, Borrower shall provide Financial Statements prepared or reviewed by a licensed Certified Public Accountant or Public Accountant and fully reflecting the assets and liabilities of the party for whom they were prepared.

15.8. NO WAIVER. No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

15.9. NO THIRD PARTIES BENEFITED. This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds at any time on deposit in the Construction Account or the Impound Account, if established.

15.10. NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP. Nothing contained in this Agreement or in any other document executed in connection with this Agreement shall be construed as creating a joint venture or

partnership between Lender and Borrower. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Lender and Borrower other than that of a lender and a borrower.

15.11. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents.

15.11.1. **METHOD.** All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above for the respective recipient by one or more of the following methods.

- a. Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;
- b. A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;
- c. Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or
- d. Telecopy, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Borrower or Lender may respectively designate by written notice to the other.

15.11.2. **SHORT TERM NOTICES.** Notices, including requests for approval, requiring action in less than thirty (30) days may only be given by the foregoing overnight courier or hand delivery method, and shall include the following language on its face: "URGENT – TIME SENSITIVE – IMMEDIATE ACTION REQUIRED" and marked for delivery to Portfolio Management. Such notice shall include the time allowed under this Loan Agreement for action.

15.11.3. **ADDITIONAL NOTICES.** Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:

c/o Alliant Asset Management Co., LLC
21600 Oxnard Street, Suite 1200
Woodland Hill, CA 91367
Attn: Brian Goldberg

15.12. **ACTIONS.** Lender will have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties, or the disbursement of any funds under this Loan Agreement. In connection with that, Lender may incur and pay costs and expenses, including, without limitation, reasonable attorney fees. Borrower agrees to pay to Lender on demand all these expenses, and Lender is authorized to disburse funds from the Construction Account for that purpose. This Section does not apply to actions or proceedings between the parties.

15.13. **SIGNS.** Borrower agrees that on the request of Lender, Borrower will erect and place on or in the immediate vicinity of the Property a sign indicating that Lender has provided construction financing for the Project, which sign shall remain for the duration of construction. If Borrower places a sign on the Property during construction stating the names of the Project participants, it shall also name "Sacramento Housing and Redevelopment Agency" as a participant in the Project. Lender's name on the sign shall be in letters not less than size of letters used to name any of the other participants.

15.14. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property without the prior written consent of Lender

to a party other than a general partner or managing member of Borrower or a single asset entity wholly owned and controlled by Borrower or a general partner or managing member of Borrower. However, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Trust Deed. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other lender having experience with construction lending, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

15.15. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by the Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Agreement, the Deed of Trust and the Note

15.16. **PREPAYMENT.** Borrower may prepay the Loan only on and subject to the terms and conditions in the Note. Borrower shall have no rights to receive, and under no circumstances will Borrower receive repayment of any fees previously paid to Lender.

15.17. **BORROWER'S RESPONSIBILITIES.** To prevent and avoid construction defects, Borrower shall inspect, review, supervise, and assure the high quality, adequacy, and suitability of: (i) the Plans and Specifications and all changes and amendments; and (ii) architects, contractors, subcontractors, and material suppliers employed or used in the Project, and the workmanship of and the materials used by all of them; and (iii) the progress and course of construction and its conformance with the Plans and Specifications and any amendments, alterations, and changes that may be approved by Lender. Borrower will, at Borrower's expense, defend, indemnify, save, and hold Lender harmless against all claims, demands, losses, expenses, damages (general, punitive, or otherwise), and causes of action (whether legal or equitable) asserted by any Person arising out of the use of the proceeds of the Loan. Borrower will pay Lender on demand all claims, judgments, damages, losses, or expenses (including attorney fees and expenses) incurred by Lender as a result of any legal action arising out of the use of the proceeds of the Loan. The provisions of this Section will survive the termination of this Loan Agreement and the repayment of the Loan.

15.18. **NONLIABILITY FOR NEGLIGENCE, LOSS, OR DAMAGE.** Borrower acknowledges, understands, and agrees as follows:

15.18.1. The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower to select, review, inspect, supervise, pass judgment on, or inform Borrower of the quality, adequacy, or suitability of the Project work, except as to matters which are within the intent and purpose for which Lender has made the Loan.

15.18.2. Lender owes no duty of care to protect Borrower against negligent, faulty, inadequate, or defective building or construction.

15.18.3. Lender will not be responsible or liable to Borrower for any loss or damage of any kind to person or property whether suffered by Borrower or any other Person or group of Persons or for negligent, faulty, inadequate, or defective building or construction, and Borrower will hold Lender harmless from any liability, loss, or damage for these things.

15.19. **CONTROLLING LAW; VENUE.** The Loan Documents will be governed by and construed in accordance with California law. The venue for any legal action or proceeding will be in the County of Sacramento, California.

15.20. **CONSENTS AND APPROVALS.** All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing. Lender's consent to or approval of any act by Borrower requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

15.21. **SURVIVAL OF WARRANTIES AND COVENANTS.** The warranties, representations, conditions, covenants, and agreements in this Loan Agreement and in the other Loan Documents will survive the making of the Loan and the execution and delivery of the Note and will continue in full force until the Indebtedness has been paid in full. Nothing in this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Indebtedness or the termination of any Loan Document.

15.22. **RECORDING AND FILING.** Borrower, at its expense, will cause the Security Documents and all supplements to be recorded and filed and re-recorded and re-filed in any manner and in any places as Lender will reasonably request, and will pay all recording, filing, re-recording, and re-filing taxes, fees, and other charges.

15.23. **LOAN EXPENSES.** In making the first disbursement, Lender may, at its option, deduct from the proceeds of that disbursement a sum equal to the aggregate of the following, to the extent Lender has knowledge of it and demand has been made on Lender at the time of the deposit: all expenses specifically incurred in connection with the Loan or the preparation, execution, and delivery of the Loan Documents, including, but not limited to, recording costs and expenses, transfer and other taxes (if any), surveys, appraisal fees, title and hazard insurance premiums, recording, notary, and escrow charges, and all other similar, usual, or customary loan closing charges and expenses; and any other budgeted expenses that have been approved by Lender in writing; and Lender will, for the benefit of Borrower, pay those amounts over to the respective parties on whose behalf the demands will have been received by Lender. Borrower will pay directly any expenses in connection with the Loan not so paid by Lender, including, without limitation, any of the expenses specified above, and will hold Lender free from any cost, liability, or obligation of any nature in connection with it, including reasonable attorney fees incurred by Lender. Borrower further agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any Loan Party, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Loan rate, will form a part of the indebtedness and will be secured by the Security Documents.

15.24. **NO REPRESENTATIONS BY LENDER.** By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

15.25. **AMENDMENT.** The Loan Documents and the terms of each of them may not be modified, waived, discharged, or terminated except by a written instrument signed by the party against whom enforcement of the modification, waiver, discharge, or termination is asserted.

15.26. **TERMINATION.** Except as otherwise provided in the Loan Documents, all rights and obligations under this Loan Agreement will terminate except as to any accrued obligations effective on the payment of all Indebtedness owing by Borrower to Lender.

15.27. **COUNTERPARTS.** The Loan Documents may be executed in any number of counterparts and by different parties in separate counterparts, each of which when executed and delivered will be deemed an original and all of which counterparts taken together will constitute one and the same instrument.

15.28. **SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

15.29. **CAPTIONS.** All Article and Section headings in the Loan Documents are inserted for convenience of reference only and do not constitute a part of the Loan Documents for any other purpose.

15.30. **INDEMNITY.** Except for claims due to Lender's sole negligence or willful misconduct, Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, the Project, or any portion of them. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

15.31. **FURTHER ASSURANCES.** At Lender's request and at Borrower's expense, Borrower will execute, acknowledge, and deliver all other instruments and perform all other acts necessary, desirable, or proper to carry out the purposes of the Loan Documents or to perfect and preserve any liens created by the Loan Documents.

15.32. **DISCLOSURE OF INFORMATION.** If Lender elects to sell the Loan, Lender may forward to the buyer of the Loan all documents and information related to the Loan in Lender's possession, including without limitation all Financial Statements, whether furnished by Borrower or otherwise.

15.33. **LENDER'S AGENTS.** Lender may designate agents or independent contractors to exercise any of Lender's rights under the Loan Documents. Any reference to Lender in any of the Loan Documents will include Lender's employees, agents, and independent contractors.

15.34. **INTEGRATION AND INTERPRETATION.** The Loan Documents contain or expressly incorporate by reference the entire agreement between Lender and Borrower with respect to the covered matters and supersede all prior negotiations. Any reference to the Property or Project in any of the Loan Documents will include all or any portion of them. Any reference to the Loan Documents themselves in any of the Loan Documents will include all amendments, renewals, or extensions approved by Lender.

15.35. **NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. Person means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT in Sacramento, California as of the Effective Date.

BORROWER :
KELSEY VILLAGE, L.P.

BY: SATELLITE KELSEY VILLAGE, INC., its general partner

By: _____
Ryan Chao
Executive Director

Date: _____

Approved as to form:

Borrower Counsel

LENDER:
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY, a joint powers agency

By: _____
LaShelle Dozier, Executive Director

Date: _____

Approved as to form:

Lender Counsel

EXHIBIT 1

Legal Description of the Property

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

LOTS 4406, 4407, 4408 AND 4409, AS SHOWN ON THE "PLAT OF H. J. GOETHE COMPANY'S ADDITION "G" TO SACRAMENTO", RECORDED IN BOOK 6 OF MAPS, MAP NO. 16, RECORDS OF SAID COUNTY.

EXCEPTING THEREFROM THAT PORTION OF LOT 4406 DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LOT 4406 AND RUNNING THENCE ALONG THE NORTH LINE OF THE SAME, NORTH 89 DEGREES 43' 29" WEST 111.29 FEET, THENCE SOUTH 00 DEGREES 39' 02" EAST 0.60 FEET, THENCE NORTH 89 DEGREES 59' 06" EAST 111.28 FEET TO THE POINT OF BEGINNING.

APN: 014-0123-032

2830 Stockton Boulevard, Sacramento, CA

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EXHIBIT 2**Scope of Development**Demolition

The site is relatively flat and improved with a 22 unit Single Room Occupancy (SRO) facility this is currently vacant. The existing improvement will be demolished.

Environmental Mitigation

Due to the age of the existing structure, there is potential for Lead-Based Paint and Asbestos containing materials to be present on-site. If these hazardous materials are identified, they will be mitigated prior to demolition.

New Construction

This will be the new construction of 18 one-bedroom units (approximately 600 SF), 1 two-bedroom unit and 1 two-bedroom managers unit (940 SF). Project site is approximately 0.7 acres. Kelsey will be a two-story, wood frame, twenty-unit apartment complex featuring 18 one-bedroom and 2 two-bedroom units. 10 of the units will be located on the ground floor and 10 units will be located on the upper floor accessible by an elevator as well as stairs. The project's ground floor also has a large double height community room with a kitchenette, a unisex restroom, resident mailboxes, and an administrator's office. The second floor features a resident lounge, a conference/activity room, and a central laundry room. The project is fenced with a gated entry and has a terrace, a nicely landscaped lawn, community garden and a 9-car parking lot. Trash is located near parking lot. The unit features include a refrigerator, range, disposal, window coverings, wall-to-wall carpeting, air conditioning and a coat closet.

The ground floor exterior will be stucco but will consist of two neutral shades, creating variety and interest. The second floor exterior will be visually distinguished by neutrally painted fiber cement board. The roof will be Elk "weather wood" thirty-year dimensional composition shingle. Architectural details include painted wood trellises on the ground floor and stained wood knee braces creating visual interest and appeal. The parking lot entrance will be gated in wrought iron. Trash is located in an enclosed structure, which features the same architectural details as the main building. All planned colors are neutral and the style is in keeping with the surrounding neighborhood characteristics.

Project Amenities*Community rooms:*

- Administrative/ Leasing office
- Community room with fully equipped kitchenette
- Mail Center
- Conference/ Activity Room
- 2nd Floor Lounge
- On-site laundry facility
- Maintenance and storage room (separate from building)

- Elevator
- Terrace
- Community Garden

All Units:

- Large one and two bedroom floor plans
- Electric PTAC wall units for heating & conditioning
- Gas water heater in each unit (gas is individually metered)
- Wall to wall carpeting
- Blinds
- Hall closets
- Cable TV available
- Fully equipped kitchens with
 - Stainless steel sinks
 - Laminated counter tops
 - Sheet vinyl flooring
 - Energy efficient appliances:
 - Refrigerator
 - Self cleaning oven range
 - Garbage disposal
 - Range hood exhausting to the outside
- Large bathrooms with
 - Shower/tub combos (or roll-in in accessible units)
 - Sheet vinyl flooring
 - Shower curtain pole

EXHIBIT 3

**PROMISSORY NOTE
FOR KELSEY VILLAGE
CONSTRUCTION AND PERMANENT LOAN AGREEMENT**

BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE. The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

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

DEFINED TERM:	DEFINITION:	
“Effective Date”	April 1, 2012	
“Lender”	Sacramento Housing and Redevelopment Agency	
“Borrower”	Kelsey Village, L.P.	
“Borrower Legal Status”	California limited partnership	
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.	
“Principal Amount”	Two Million One Hundred Thousand Dollars and No Cents (\$2,100,000.00)	
“Interest Rate”	The interest rate is 1% per year, simple interest.	
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:	The Effective Date
“Special Terms”	At completion of construction, Borrower shall submit to Lender a cost certification prepared by a qualified, independent auditor acceptable to Lender, which cost certification shall indicate the amounts actually spent for each item in the cost breakdown. If there is an aggregate savings in the total of all such cost breakdown items from the cost breakdown items in the original Budget approved by the Lender, the Lender shall withhold for itself as Loan repayment, one-half of such savings from the amount of retention then held by the Lender, and the Loan balance shall be reduced by the amount so withheld. The Lender, in its sole discretion, shall determine any reduction and/or repayment of the Loan based upon this cost certification and the original approved Budget for the Project.	
PAYMENT SCHEDULE. Repayment of this Note shall be made the following amounts:		
“Maturity Date”	The first day of the 676 calendar month following the Effective Date.	
“Payment Start Date”	The first day of the 497th calendar month following the Effective Date.	
“Payment Amount(s)”	Borrower shall make annual payments equal to 50% of Residual Receipts on August 1 st of each year beginning and including the Payment Start Date. Continuing thereafter on August 1 st of each year, through and including the Maturity Date.	
	The unpaid balance of the Loan, including without limitation principal and interest, shall be all due and payable on the Maturity Date, including without limitation all unpaid principal, interest, fees and charges.	Principal and accrued interest due in full.

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FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of funds loaned to Borrower under a loan agreement between Borrower and Lender dated as of the Loan Date ("Loan Agreement"). The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement ("Regulatory Agreement"), the making of which is further consideration for this Note.

2. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.

3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.

4. This Note is secured by a Deed of Trust with Assignment of Rents against the real property described in the Loan Agreement ("Property"), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the real property is sold, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, then, subject to any rights of Borrower's limited partners explicitly set forth in the Trust Deed, (or such longer period explicitly set forth in the Trust Deed,), Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

5. Lender and Borrower shall comply with and fulfill the Special Terms.

6. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if any:

- a. Borrower defaults in the payment of any principal or interest when due.
- b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, had failed to disclose or misrepresented any fact that would have prevented Borrower from being eligible for the Loan.
- c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.
- d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, the Regulatory Agreement or this Note.
- e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.
- f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.
- g. The occurrence of any of the following:
 - 1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.
 - 2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.
 - 3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

7. Any limited partner of Borrower is entitled to the notice and cure provisions set forth in Section 16 of the Trust Deed.

8. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.

9. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

10. This Loan is a non-recourse loan, and notwithstanding any provision of this Note or any document evidencing or securing this Loan, Borrower, and Borrower's principals, members, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

11. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note and the Trust Deed, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

IN WITNESS WHEREOF, Borrower has executed this Note as of the Loan Date.

Borrower:

Kelsey Village, L.P.

BY: SATELLITE KELSEY VILLAGE, INC., its general partner

By: _____

Dori Kojima

Acting Executive Director

Authorized Representative

EXHIBIT 4

NO FEE DOCUMENT:
 Entitled to free recording
 per Government Code 27383.

When recorded, return to:
 SACRAMENTO HOUSING AND
 REDEVELOPMENT AGENCY
 801 12th Street
 Sacramento, CA 95814
 Attention: Steve Lierly

DEED OF TRUST AND ASSIGNMENT OF RENTS
 Kelsey Village
 (Construction and Permanent Loan)

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

TERM	DEFINITION	
“Effective Date”	April 1, 2012	
“Trustor” and “Borrower”	Kelsey Village, L.P., limited partnership	
“Borrower Address”	1521 University Avenue, Berkeley California 94703	
“Trustee”	Old Republic Title Company	
“Beneficiary” and “Lender”	Sacramento Housing and Redevelopment Agency	
“Lender Address”	801 12th Street, Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	2830 Stockton Boulevard, Sacramento, California
	Assessor’s Parcel Number	014-0123-032-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the Construction and Permanent Loan Agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	

	<u>Alliant Asset Management Company, LLC</u> 21600 Oxnard Street Suite 1200 Woodland Hills, California 91367 Attention: Brian Goldberg	
"Note"	Which is Borrower's note made in accordance with the Loan Agreement securing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest. Which has a principal sum of	
		Two Million One Hundred Thousand Dollars and No Cents (\$2,100,000.00)

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the Note, or the Loan Agreement.

Borrower covenants that Borrower is lawfully seized of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust. Provided, however, Borrower shall have the right to contest such amount in good faith provided that Borrower causes any such lien to be released from the Property by the posting of a bond or by other appropriate means.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned

by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedant, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note. Lender's prior approval is not required for (1) the sale or transfer of the Limited Partner's interest to one or more of the other partners that currently comprise the Borrower's entity, (2) the admission of the Limited Partner or its affiliate to the Borrower and the transfer of its interest to an affiliate thereof so long as the general partner, or managing member, of the transferor, or an affiliate thereof, is the general partner, or managing member of the transferee, or partner; however, Borrower is obligated to notify Lender within 30 days from the date of such sale or transfer

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower, or any of its principals or anyone with a substantial legal interest in Borrower, may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Deed of Trust.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Note, (including the covenants to pay when due any sums secured by this Deed of Trust and restricting transfer of the Property) or Loan Agreement, Lender shall mail notice to Borrower and the Limited Partner specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, and the Limited Partner by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law, provided, however, that if such cure cannot reasonably be effected within such 30 day period, such failure shall not be a default so long as Borrower promptly (and in any event, within ten (10) days after receipt of such notice) commences such cure and thereafter diligently (and in any event, within ninety (90) days after receipt of such notice) prosecutes such cure to completion. The Limited Partner is entitled to cure any defaults on behalf of the Borrower within the same specified time periods; said cure periods shall not extend statutory periods and times for notice and commencement of foreclosure; provided, however, that if, in

order to cure any such default the Limited Partner must first remove a general partner of Borrower, then, provided that the Limited Partner notifies Lender of such removal and removes such general partner within 90 days of such notice, then the Limited Partner shall have until the date 30 days after the effective date of such removal to effect such cure. In any event, such cure process shall not exceed 120 days.

Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect such rents as they become due.

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those rents actually received.

18. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

19. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing this Loan, Borrower, and Borrower's principals, partners, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan and Lender's sole recourse is to the collateral secured by this Deed of Trust.

20. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

21. Substitute Trustee. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.

22. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.
23. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.
24. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.
25. Extended Use Agreement. In order to receive an allocation of federal low income housing tax credits, Borrower will be required to record in the real property records of the County in which the property is located, an "extended low-income housing commitment" (as defined in Section 42(h)(6)(B) of the Internal Revenue Code of 1986, as amended ("Code")) ("Extended Use Agreement"). Lender acknowledges and agrees that, in the event of a foreclosure of its interest under this Deed of Trust or delivery by the Borrower of a deed in lieu thereof (collectively, a "Foreclosure"), Lender agrees to comply with all the following rule contained in Section 42(h)(6)(E)(ii) of the Code shall apply: For a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause, including but not limited to, the tenants' ineligibility pursuant to regulations of Section 42 of the Code), (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):
KELSEY VILLAGE, L.P.

BY: SATELLITE KELSEY VILLAGE, INC., its general partner

By: _____
Dori Kojima, Acting Executive Director

EXHIBIT 5**NO FEE DOCUMENT:**

Entitled to free recording
per Government Code 27383.

When recorded, return to:

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

ATTN: STEVE LIERLY

801 "12th" Street

Sacramento, CA 95814

**REGULATORY AGREEMENT FOR RESIDENTIAL RENTAL PROPERTY
CONTAINING COVENANTS AFFECTING REAL PROPERTY**

PROJECT NAME:	Kelsey Village
PROJECT ADDRESS:	2830 Stockton Boulevard, Sacramento, CA 95817
APN:	014-0123-032

FOR GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS ACKNOWLEDGED, AGENCY AND OWNER HAVE ENTERED THIS REGULATORY AGREEMENT AS OF THE EFFECTIVE DATE.

1. **GENERAL.** This Regulatory Agreement, includes the Exhibits listed below which are attached to and incorporated in this Regulatory Agreement by this reference.

2. **DEFINITIONS.** The capitalized terms in this Regulatory Agreement shall have the meanings assigned in the following table and in the body of the Regulatory Agreement as the context indicates. (Terms being defined are indicated by quotation marks.)

TERM	DEFINITION	
"Effective Date"	This Regulatory Agreement shall be effective as of the following date:	April 1, 2012
"Agency"	Sacramento Housing and Redevelopment Agency	
"Owner"	The Agency is a public body, corporate and politic.	
"Agency Address"	Kelsey Village, L.P.	
"Owner Address"	Agency's business address is 801 "12 th " Street, Sacramento, California 95814	
"Jurisdiction"	Owner's business address is as follows: 1521 University Avenue, Berkeley, CA 94703	
"Property"	City of Sacramento	
"Funding Agreement"	The Funding Agreement between Agency and Owner as follows:	That certain real property which is subject to this Regulatory Agreement as further described in the legal description, attached as Exhibit 1 – Legal Description of the Property and incorporated in this Regulatory Agreement by this reference
"Agency Funding"	Titled:	Construction and Permanent Loan Agreement
"Agency Funding Amount"	Dated:	April 1, 2012
"Proportionate Agency Assistance"	The Agency Funding made by Agency to Owner under the Funding Agreement for development of the Property	
	The amount of the Agency Funding, as follows:	\$2,100,000.00
	The percentage of the Project cost, including without limitation, land, predevelopment and development costs, that is attributable to the Agency Funding. For rehabilitation projects, the percentage that the Agency Funding bears to the total of the fair market value of the Property before rehabilitation and the total costs of rehabilitation.	Thirty Eight Percent (38%)

"Funding Requirements"	The legal restrictions on the use of the funds that Agency has used to make the Agency Funding, as applicable to and restricting the Property. The Funding Requirements are set out in Exhibit 2 HTF Funding Requirements and Exhibit 3 HOME Funding Requirements.	
"Approved Use"	The only permitted use of the Property, which is as a residential property available for rent by the general public and containing not less than the following number of units:	20

RESTRICTED PARCELS; APPROVAL OF LEASES. In order to assure that the proper number and types of units have been rented in accordance with this Regulatory Agreement, Owner is prohibited from leasing any Unit within the Project until either the parties have recorded against the Property a list of the Restricted Units or the Agency has approved the individual lease or lease form for the Restricted Units. The following numbers of Units are restricted for each respective funding source. The initial rents for the respective units shall be the following; provided, however, that upon the request of Owner, Owner and Agency may agree to a schedule for the Restricted Units that complies with the following affordability requirements as of the date when the Project is available for occupancy. In any event the rents for the respective units may be adjusted not more often than annually. The rents shall include allowance for utilities and costs reasonably related to the rental of the units, as may be required in determining the rents for the applicable funding sources. Only units indicated under Agency Funding Source are assisted by the Agency. Nevertheless, Owner shall assure the affordability of all of the following units at the named affordability levels. Additionally, higher rents may be charged for units subject to U.S. Department of Housing and Urban Development Housing Assistance Payment Vouchers, provided that the actual rents paid by the tenants do not exceed the affordability levels for the respective units. HOME Units are fixed units if referenced by Apartment Number or equivalent; otherwise such units are "floating units" in which the number of units of an affordability level and bedroom type remains the same, but the actual designated unit may change from time to time.

Agency Funding Source:	Other Funding Source:	Affordability Level:	Number of Units:	Restricted Units:	Initial Rent per Unit per Month:
Housing Trust Fund		Very Low Income	-4-	1 bedroom	\$713
HOME		Very Low Income	-2-	2 bedroom	\$856
HOME		Very Low Income	-9-	1 bedroom	\$713

3. MANAGEMENT AGREEMENT. Borrower shall obtain and maintain a property management agreement with a duly accredited real estate property management company for the management of the Property. Owner shall not change management company without the prior written approval of the Agency. If Agency has approved an initial property manager for the Project, the company shall be listed immediately below. The term of such agreement shall be the longer of the term of the Funding Agreement or the longest term of the Funding Restrictions

Approved Management Company
Domus Management Company

4. SPECIAL PROVISIONS. Owner shall also comply with the following special provisions.

Provision	Term
1. <u>Smoke-free environment.</u> At least 50% of the buildings but no less than 50% of the units must be smoke free. All indoor common areas must be smoke-free.	55 Years
2. <u>Resident Services.</u> For the Qualified Project Period, the Owner shall provide or cause to be provided by the managing general partner of the Owner, or an entity approved by the Agency in writing prior to its appointment, resident services for the tenants residing in the Project which, from time to time, are to be determined by the Owner in consultation with the Agency. The Owner will provide resident services on a regular, continuous basis (a minimum of 20 hours per week with onsite service coordinator) which will initially include classes/programs in one or more of the following service categories: (i) service coordination, (ii) educational classes, including life and job skill training, (iii) enrichment programs, and (iv) transportation; provided, however, the above resident services may be amended upon the written agreement of the Owner and the Agency. Such amended resident services categories shall be incorporated herein by reference. Immediately	55 Years

<p>following the commencement of the Qualified Project Period for the Multifamily Housing Revenue Bonds, the Owner or its managing general partner shall forward in writing to the Agency a needs assessment identifying the classes/programs of interest to the residents based upon the aforementioned resident services categories.</p>	
<p>3. <u>Regulatory Agreement Violations</u>. Owner shall pay the program compliance fees and expenses to Agency set forth in Compliance Violations and Actions (Exhibit 4 - Compliance Violations and Actions) in reimbursement of the amounts and time expended by Agency to insure Owner’s compliance with State statutes and federal regulations and Owner’s obligations under the Regulatory Agreement as a result of the Owner not meeting its obligations and reporting requirements. No compliance fee will be assessed for one incident of each type of compliance violation per annual inspection provided the violation is corrected within the specified corrective time period. The second and subsequent violations will be assessed compliance fees as detailed in the Compliance Violations and Actions tables.</p>	<p>55 Years</p>
<p>4. <u>“Excess” utility charges</u>. Owner shall not pass utility charges paid by Owner, including water, sewer, and garbage collection charges, through to ten (10) non-HUD units tenants as an add-on to their contracted rent.</p>	<p>55 Years</p>
<p>5. <u>Renters’ insurance</u>. Owner shall not make payment of rental insurance premiums a condition of occupancy. If owners require renters’ insurance, the policy premium must be deducted from the tenant’s rent. The owner shall not add the insurance premium to the tenant’s rent in either the initial or subsequent years.</p>	<p>55 Years</p>

5. REPRESENTATIONS. Agency has provided Agency Funding to Owner to develop the Property, subject to the terms of the Funding Agreement. This Regulatory Agreement is a substantial part of the consideration to Agency for making the Agency Funding. [For purposes of this Article II, “Property” shall mean Property or Restricted Unit as the context may indicate.] The funds used by Agency under the Funding Agreement are funds from public funding sources administered by Agency and their use is subject to certain requirements some of which are embodied in this Regulatory Agreement. Further, Agency has made the Agency Funding in accordance with the laws, rules and regulations to which Agency is subject. Therefore, Agency has made the Agency Funding conditioned upon Owner’s agreement, for itself and its successors and assigns, to comply with all provisions of this Regulatory Agreement, including without limitation, the Funding Agreement. Owner has had full opportunity to make itself independently familiar with such limitations and restrictions, and Owner accepts them and agrees to comply fully with them.

6. COVENANTS. Owner makes the following covenants. Unless Owner has received the prior written consent or Agency approval otherwise, Owner shall fully comply with each and every covenant. Except as otherwise stated in this Regulatory Agreement, the following covenants shall have a term that is the same as the longest term specified in the Funding Requirements.

- a. Owner shall use and permit others to use the Property only for the Approved Use.
- b. Owner shall assure full compliance with the Funding Requirements.
- c. Owner shall not transfer or encumber any of the Property or permit the conveyance, transfer, or encumbrance of the Property unless such assignee, transferee or encumbrancer has agreed, in writing and in a form suitable for recordation, to be bound by the terms of this Regulatory Agreement.
- d. Owner shall not cause and shall not permit expansion, reconstruction, or demolition of any part of improvements on the Property, except as provided by the Funding Agreement.
- e. Owner shall maintain the Property and the building improvements, grounds and equipment of the Property in good repair and condition and in compliance with all applicable housing quality standards and local code requirements. Owner shall maintain the Property in good condition and shall keep the Property reasonably free from graffiti and unrepaired vandalism and from accumulation of abandoned property, inoperable vehicles, unenclosed storage, debris, and waste materials. In the

event of a casualty loss, Owner shall cause the restoration or replacement of the Property, in a timely manner and provided that such restoration or replacement is then economically feasible.

f. Owner shall not cause and shall not permit discrimination on 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, or rental or in the use or occupancy of the Property. Owner covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property. This covenant against discrimination shall continue in perpetuity.

g. Owner shall assure compliance with the obligations imposed by the federal Personal Responsibility and Work Opportunity Act (Public Law 104-193, commonly known as the Welfare Reform Act) as amended by California Welfare and Institutions Code Section 17851, which restrict the Agency funding of federal, state or local benefits to persons who are not citizens or qualified aliens as defined in such act.

7. NATURE OF COVENANTS. The provisions contained in this Regulatory Agreement are covenants which subject and burden the Property, as covenants running with the land. It is intended and agreed that the agreements and covenants provided in the Agreement shall be covenants running with the land and equitable servitudes on the land and that they shall, in any event, and without regard to technical classifications or designation, be binding, to the fullest extent permitted by law and equity, for the benefit and in favor of, and enforceable by, the Agency, the Agency's successors and assigns, any other governmental entity acting within its authority and any successor in interest to Agency's interest under this Regulatory Agreement against the Owner, its successors and assigns and every successor in interest to all or any part of the Property.

8. TERM. The term of this Regulatory Agreement shall commence on the Effective Date and continue until the terms of all of the covenants, including without limitation, the terms stated in the Funding Requirements, have expired or otherwise been terminated. Notwithstanding the term in the Funding Requirements, the term of this Regulatory Agreement shall be fifty-five (55) years from the Effective Date.

9. REVIVAL OF COVENANTS AFTER FORECLOSURE. The affordability restrictions shall be revived after foreclosure, or deed in lieu of foreclosure according to the original terms if, during the original term of this Regulatory Agreement, if the Owner, who was owner of record before the termination event, or a party related to the Owner obtains an ownership interest in the Property or Restricted Unit, as the case may be. For purposes of this provision, a related party is anyone with whom the Owner has or had family or business ties or common ownership; provided that such interest would not be considered a "remote interest" in the usual and customary use of the term.

10. MULTIPLE FUNDING REQUIREMENTS. If more than one form of Funding Requirements is attached, each Restricted Unit shall be subject to the Funding Requirements for every Funding Source applied to the respective Restricted Unit. If the terms of the Funding Requirements shall conflict as to any Restricted Unit, the Funding Requirements shall be construed so as to meet all applicable requirements for the respective Restricted Unit, including without limitation the use of the most restrictive requirements and the use of the "Recapture" formula that results in the greatest repayment to the Agency.

11. RECORDKEEPING AND REPORTING. Upon request of Agency, Owner shall promptly provide any additional information or documentation requested in writing by the Agency to verify Owner's compliance with the provisions of this Regulatory Agreement. At the written request of the Agency, Owner shall, within a reasonable time following receipt of such request, furnish reports and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operations, and condition of the property and the status of the Deeds of Trust.

12. AUDIT AND INSPECTION. The Property and all related equipment, buildings, plans, offices, books, contracts, records, documents and other related papers shall at all times be maintained in reasonable condition for audit and shall be subject to examination by the Agency or its agents. The books and accounts of the operations of the Property and of the Property shall be kept in accordance with generally accepted accounting principles. Owner shall provide Agency access to the Property and its tenants during reasonable hours for the purpose of reviewing Owner's compliance with this Regulatory Agreement.

13. **INDEMNITY FOR OWNER'S FAILURE TO MEET LEGAL REQUIREMENTS.** Owner shall indemnify and hold Agency, its officers, directors, and employees harmless from any and all liability arising from Owner's failure to comply with the covenants, conditions and restrictions contained in this Regulatory Agreement or to comply with all other laws, rules, regulations and restrictions related to the use of Agency Funding. Without limitation, such indemnity shall include repayment to the appropriate parties of rents or sales proceeds in excess of amounts authorized to be charged and repayment to the Agency of the costs of funds resulting from the required repayment by Agency to the funding source of funds improperly used.

14. **CHANGES WITHOUT CONSENT OF TENANTS, LESSEES, OR OTHERS.** Only Agency and its successors and assigns, and Owner (subject to the reasonable approval of Owner's lender in accordance with its rights under its loan terms) shall have the right to consent and agree to changes in, or to eliminate in whole or in part, any of the covenants or restrictions contained in this Agreement without the consent of any easement holder, licensee, other mortgagee, trustee, beneficiary under a deed of trust or any other person or entity having any interest less than a fee in the Site.

15. **DEFAULT.** Upon a breach of any of the provisions of this Regulatory Agreement by Owner, the Agency shall give written notice of such breach to Owner and Owner's limited partner by registered or certified mail or overnight delivery. If such violation is not corrected to the satisfaction of Agency within sixty (60) days after the date such notice is mailed or within such further time as the Agency may reasonably determine is necessary to correct the breach, and without further notice to Owner, the Agency may declare a default under the Agreement, effective on the date of such declaration of default, and upon such default the Agency may: (a) take any action then available under the Funding Agreement for a default under the Funding Agreement and (b) apply to any court for specific performance of this Regulatory Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, for money damages or for such other relief as may be appropriate, since the injury to the Agency arising from a default under any of the terms in this Regulatory Agreement would be irreparable, and the amount of damage would be difficult to ascertain. Any limited partner of Owner shall be entitled to cure any defaults on behalf of Owner within the time periods set forth herein.

16. **BINDING SUCCESSORS IN INTEREST.** This Regulatory Agreement shall bind and the benefits shall inure to the Owner, its successors in interest and assigns, and to the Agency and its successors for the term of this Regulatory Agreement.

17. **CONTRADICTORY AGREEMENTS.** Owner warrants that it has not, and will not, execute any other agreement with provisions contradictory of or in opposition to, the provisions of this Regulatory Agreement, and that, in any event, the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict with this Regulatory Agreement.

18. **ATTORNEYS' FEES.** If the services of any attorney are required by any party to secure the performance of this Regulatory Agreement or otherwise upon the breach of default of another party, or if any judicial remedy or mediation is necessary to enforce or interpret any provision of this Regulatory Agreement or the rights and duties of any person in relation to this Regulatory Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and other expenses, in addition to any other relief to which such party may be entitled. Any award of damages following judicial remedy or arbitration as a result of this Regulatory Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law. The prevailing party shall mean the party receiving an award in arbitration or a judgment in its favor, unless the award or judgement is less favorable than the best settlement offered in writing in a reasonable manner by the other party, in which case the prevailing party is the other party.

19. **SEVERABILITY.** The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions.

20. **ELECTION OF REMEDIES.** To the extent applicable, in the event of any breach of the covenants, conditions and restrictions contained in this Regulatory Agreement, the Agency shall reasonably endeavor to remedy such breach by conference and conciliation. If, in the opinion of Agency, the Agency and Owner are unable mutually to agree upon a suitable remedy or the circumstances so warrant, such breach may be enjoined or abated by appropriate proceedings brought by the Agency.

Agency may institute or prosecute in its own name, any suit Agency may consider advisable in order to compel performance of any obligation of any owner to develop and maintain the subject property in conformity with this

Regulatory Agreement and to remedy any default of this Regulatory Agreement. Agency may also seek a decree requiring removal of any improvements constructed on the Property which improvements are designed for uses not permitted under this Regulatory Agreement and which improvements are unsuitable for uses permitted under this Regulatory Agreement.

The remedies of the Agency under this Regulatory Agreement are cumulative, and the exercise of one or more of such remedies, including, without limitation, remedies under the Funding Agreement shall not be deemed an election of remedies and shall not preclude the exercise by the Agency of any one or more of its other remedies.

21. **NO WAIVER.** No waiver by the Agency of any breach of or default under this Regulatory Agreement shall be deemed to be a waiver of any other or subsequent breach or default.

22. **NOTICES.** Written notices and other written communications by and between the parties shall be addressed to the Owner at the Owner Address and to the Agency at the Agency Address or such other address as each respective party has designated by written notice to the other party, and to Owner's limited partner at:

c/o Alliant Asset Management Co., LLC
21600 Oxnard Street, Suite 1200
Woodland Hills, CA 91367
Attn.: Brian Goldberg
Telephone: (818) 668-6800
Telecopy: (818) 668-2828

Provided, however that Owner acknowledges that such notice is an accommodation and the failure of the Agency to properly deliver any such notice shall not give rise to any claims or defenses of Owner or any third party.

THE PARTIES HAVE EXECUTED THIS REGULATORY AGREEMENT in Sacramento, California as of the Effective Date

OWNER: KELSEY VILLAGE, L.P.

AGENCY: THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

BY: SATELLITE KELSEY VILLAGE, INC., ITS GENERAL PARTNER

By: _____
LaShelle Dozier, Executive Director

**BY: _____
DORI KOJIMA, ACTING EXECUTIVE DIRECTOR**

Date: _____

Date: _____

Approved as to form: _____
Agency Counsel

**EXHIBIT 6
JOINT ESCROW INSTRUCTIONS
FOR AGENCY LOAN**

“Effective Date”	April 1, 2012
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Agency and Borrower execute these Escrow Instructions as of the Effective Date. This document, including attachments and any amendments and additions, shall constitute the joint escrow instructions of Agency and Borrower for the Agency loan secured by the Property.

ARTICLE I. GENERAL TERMS.

23. **GENERAL.** These Escrow Instructions, in addition to items listed below, include Article II Instructions, which is attached to and incorporated in these Escrow Instructions by this reference.

24. **DEFINITIONS.** The capitalized terms in these Escrow Instructions shall have the meanings assigned in Article I General Terms and as defined in Article II Instructions. (Terms being defined are indicated by quotation marks.)

“Title Company”	Old Republic Title Company		
	Address:	555 12 th Street, Suite 2000, Oakland, CA 94607	
“Escrow” with Title Company	Escrow Number:	1117009405-JM	Attention: Julie Massey
	“Agency”		
“Agency”	Sacramento Housing and Redevelopment Agency		
	Address:	801 12 th Street, Sacramento, CA 95814	
	Attention:	Steve Lierly	
“Borrower”	Kelsey Village, L.P.		
	Address:	1521 University Avenue, Berkeley, CA 94703	
	Attention:	Dori Kojima	
“Closing Date”	April 4, 2012		
“Property”	Address:	2830 Stockton Blvd. Sacramento, CA 95817	APN: 014-0123-032-0000
	Description of the transaction		
This is both the transfer of fee title to real property and funding for acquisition and the project. The Housing Authority of the City of Sacramento is conveying property and making a seller "carry-back loan" and the Sacramento Housing and Redevelopment Agency is making a Construction and Permanent Loan.			

“Recorded Documents”- The following documents are to be recorded in the order listed (top being first in priority). Copies of the Recorded documents are attached.	Documents:	Marked for return to:
	Disposition and Development Agreement	Agency
	Regulatory Agreement	Attn: Steve Lierly
	Grant Deed	
	Deed of Trust	
“Agency Items”	Promissory Note for subject loan	
	Loan Agreement for the subject loan	
	Authorizing resolutions for all Borrower signatories	
	Disposition and Development Agreement	
“Borrower Items”	conformed copies of the recorded documents; grant deed	

“Special Provisions”:	
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	Title Policy shall, in addition to customary endorsements, bear the following endorsements: <ul style="list-style-type: none"> • ALTA 102.5 Foundation Endorsement • ALTA Rewrite upon project completion For the Regulatory Agreement - CLTA 124.1
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“Agency Title Policy” in the form of an ALTA Agency’s Policy insuring that the following are valid liens against the property:	Documents:	Coverage amount:	
	Regulatory Agreement and Trust Deed	In the amount of the loan secured \$2,100,000 for the SHRA Construction and Permanent Loan and \$295,000 for the Housing Authority’s seller carry-back loan.	
The title policies shall be subject only to the following “Conditions of Title”:	Items ***Conditions of Title*** of Title Company’s Preliminary Report for the Escrow	Dated:	October 13, 2011
		Number:	1117009405-JM

THE PARTIES HAVE EXECUTED THESE ESCROW INSTRUCTIONS in Sacramento, California as of the date first written above.

BORROWER: KELSEY VILLAGE, L.P.

AGENCY: SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

BY: SATELLITE KELSEY VILLAGE, INC., its general partner

By: _____
LaShelle Dozier, Executive Director

By: _____
Dori Kojima
Acting Executive Director

ARTICLE II. INSTRUCTIONS

1. **CLOSING DATE.** Escrow shall close on or before the Closing Date as it may be changed from time to time by written agreement of Borrower and Agency.

2. **CONDITIONS TO CLOSE OF ESCROW.** "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

2.1. **CONDITIONS.** The following are conditions to the Close of Escrow:

2.1.1. The conditions precedent to performance stated in the Recorded Documents are satisfied as of the Closing Date.

2.1.2. Simultaneously with the Close of Escrow, Title Company shall issue the Agency Title Insurance to Agency (at Borrower's cost) in the amount stated. The Agency Title Insurance shall include all usual and customary endorsements and any endorsements and other commitments as Agency may reasonably require. The Agency Title Insurance shall show the Recorded Documents marked for return to Agency as valid liens against the Property in favor of the Agency, subject only to the Conditions of Title, and securing, as applicable, Borrower's performance of its obligations and repayment of Agency Funding.

2.1.3. Prior to the Closing Date, the parties shall duly execute (in Escrow or prior to deposit in Escrow) each such document and shall execute those to be recorded in a manner suitable for recording.

2.1.4. On or before the Closing Date, Agency shall also deposit with Title Company the Borrower Items and any Loan Amount then to be disbursed under this Agreement, but not less than closing costs, fees and charges required for Close of Escrow.

2.1.5. On or before the Close of Escrow, Borrower shall also deposit with Title Company the Agency Items and Borrower's share of closing costs and fees.

2.1.6. Title Company is satisfied that all required funds have been deposited in Title Company's account for the Escrow, have cleared the originating bank and are available for transfer by Title Company's check or wire transfer to the appropriate party.

2.2. **TRUST DEED FORM.** If no exhibit setting out the form of the Trust Deed form is attached, the Title Company shall draw the Trust Deed on the Title Company's Long Form Deed of Trust. Title Company shall assure that the Trust Deed includes a standard clause giving Agency the option to accelerate the Loan upon the sale, conveyance, transfer or further encumbrance of the Property, whether voluntary or involuntary. Title Company shall also affix the following provision to the Trust Deed and incorporate it in the Trust Deed by reference:

"The Loan Agreement requires the filing of the "Regulatory Agreement" that is defined in the Loan Agreement. The Regulatory Agreement contains covenants running with the land and is recorded against the Property. If Developer does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Agency's written notice to Developer of such failure, the principal balance of the Loan shall, at Agency's option, be immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds."

2.3. **UPON CLOSE OF ESCROW.** The Close of Escrow shall take place on the Closing Date. On the Closing Date, Title Company shall complete the Close of Escrow as follows and in the following order (unless otherwise stated, all recorded documents are recorded with the Sacramento County Recorder):

2.3.1. Assure fulfillment of the Special Provisions;

2.3.2. Assure all documents are complete and affix legal descriptions of the Property as necessary to complete them;

2.3.3. Obtain full execution of all unexecuted documents;

2.3.4. Date all undated documents as of the Closing Date;

2.3.5. Record the Recorded Documents in the priority listed;

2.3.6. Determine all closing costs and fees; including without limitation, all charges, fees, taxes and title insurance premiums payable under this Agreement on Close of Escrow and any other fees and charges approved for payment from Escrow by both parties and deduct such fees from the Loan proceeds deposited by Agency in Escrow;

2.3.7. Deliver the Agency Items to Agency and the Borrower Items to Borrower; and

2.3.8. Prepare and deliver to Borrower and Agency, respectively, one signed original of all documents included for delivery to either party and not delivered for recording, one signed original of Title Company's closing statement showing all receipts and disbursements of the Escrow, and one conformed copy of each of the recorded documents.

2.4. **INABILITY TO CLOSE.** If Title Company is unable to simultaneously perform all of the preceding instructions, Title Company shall notify Borrower and Agency, and upon each of their directions return to each party all documents, items and funds deposited in Escrow by such party (less fees and expenses incurred by the respective party) and bill the respective parties for any unpaid fees and expenses incurred in Escrow. If Escrow fails to close on the Closing Date because Borrower has not complied with Borrower's obligations under this Loan Agreement, then Borrower shall pay the costs incurred through Escrow to the date the Escrow is terminated, including the cost of any preliminary title report and any cancellation fees or other costs of this Escrow. If Escrow fails to close on or before the Closing Date because Agency has not complied with Agency's obligations under this Loan Agreement, such costs shall be paid by Agency. If Escrow fails to close on or before the Closing Date for any other reason, such costs shall be divided equally between the parties.

2.5. **COMMISSIONS.** Agency is not responsible, by this Loan Agreement or otherwise, to pay commissions in relation to this transaction.

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ACCEPTANCE OF ESCROW INSTRUCTIONS

Your acceptance of this escrow shall create a contractual obligation by you with Agency and Borrower for complete compliance with these instructions. Agency and Borrower reserve the right to jointly revoke this escrow at any time upon their payment to you of your fees and reimbursement to you of your expenses in accordance with the terms of these escrow instructions. Your obligations as Escrow Holder under these escrow instructions shall be subject to the following provisions:

You are not responsible as to the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in this escrow nor as to the authority or rights of any person executing such instrument. Except as otherwise provided in these escrow instructions, your duties as Escrow Holder are limited to the proper handling of monies and the proper safekeeping of instruments and other items received by you as Escrow Holder, and for the performance of your obligations as specifically provided under these escrow instructions. You are responsible for the sufficiency of any instruments or documents prepared by you for this escrow.

Borrower agrees to indemnify and hold you harmless from damages incurred as a result of your good faith and diligent performance of your duties under these escrow instructions.

Upon your acceptance of these escrow instructions, return the executed counterparts of these escrow instructions to Agency and Borrower, respectively.

Escrow Holder acknowledges receipt of the foregoing escrow instructions and agrees to act as Escrow Holder and to comply with the terms and conditions of the escrow instructions.

Dated: _____

TITLE COMPANY

TITLE COMPANY NAME

By: _____

Name: _____

Title: _____

Its authorized agent and signatory

EXHIBIT 7**HOME FUNDING AND OTHER FEDERAL REQUIREMENTS
RENTAL PROJECT**

These “HOME Funding and Other Federal Requirements” are attached to the Loan Documents (Loan Agreement and Regulatory Agreement), and are incorporated in the Loan Documents. The capitalized terms used in these HOME and Other Federal Funding Requirements shall have the meanings below in the body of these HOME Funding and other Federal Requirements. Terms being defined are indicated by quotation marks. Capitalized terms in these HOME Funding and Other Federal Requirements that are not defined below are defined in the Loan Documents. References to the CFR are to the Code of Federal Regulations

1. **DEFINITIONS** . For the purposes of the Loan Documents and in addition to the definitions made elsewhere in the Loan Documents, the following capitalized words and phrases contained in this Contract shall have the following meanings:

a. “HOME” is the federal HOME Investment Partnership program (Catalogue of Federal Domestic Assistance FDA 14.239) administered by the U.S. Department of Housing and Urban Development

b. The “HOME Requirements” are the laws, rules and regulations which are specifically applicable to this contract. A substantial portion of the Federal Requirements included in this Attachment 2.

c. “Exhibits” to this Exhibit 2 contain a substantial portion of the Federal Requirements, and are incorporated into this Agreement in the form of a Compact Disc (CD). Borrower acknowledges receipt of the CD by initialing here: _____. The Exhibits included the following:

i) Exhibit 1 – HOME Regulations: 24 U.S.C.F.R. 92 *et seq.*

ii) Exhibit 2 – OMB Circular A-110; Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations [*applies only to Subrecipients who are not a state or local government or a public Agency*]

iii) Exhibit 3 – OMB Circular A-122; Cost Principles for Nonprofit Organizations [*applies only to Subrecipients who are not a state or local government, a public Agency or an educational institution*]

iv) Exhibit 4 – OMB Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations [*applies only to Recipients who are a state or local government, a public Agency or an educational institution*]

v) Exhibit 5 – Requirements for nonprofit sgrantees; 24 U.S.C.F.R. 84

vi) Exhibit 6 – New Restrictions on Lobbying; 24 U.S.C.F.R. 87

vii) Exhibit 7 – Executive Order 11246

viii) Exhibit 8 – Executive Order 12432

ix) Exhibit 9 – Executive Order 11625

x) Exhibit 10 – Executive Order 12138

xi) Federal 11- Federal Labor Standards Provisions: 29CFR 5.5

2. **RECITALS**. The Agency Funding includes proceeds of the federal HOME Investment Partnerships Act (“HOME”) and its implementing regulations (commencing at 24 CFR 92) (“HOME Funds”). The Agency has approved the Agency Funding on condition that the property described in the Loan Documents (“Property”) is rehabilitated or developed as residential rental property (“Project”) with certain units regulated in accordance with laws, rules and regulations regarding the use of HOME funds for the benefit of low-income persons (“HOME Restricted Units”) by recordation of these Home Funding and Other Federal Restrictions as covenants running with the land. HOME Restricted Units are made affordable by such regulation to persons and households that qualify as low-income or very low-income as indicated in the table in Article I.

3. USE OF HOME FUNDS. Owner shall assure that the HOME Funds are used only for qualified uses. HOME Funds may only be used to provide incentives to develop and support affordable rental housing and homeownership affordability through the acquisition (including assistance to homebuyers), new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, and other expenses, including financing costs, relocation expenses of any displaced persons, families, businesses, or organizations; to provide tenant-based rental assistance, including security deposits; to provide payment of reasonable administrative and planning costs; and to provide for the payment of operating expenses of community housing development organizations, all as further defined in 24 CFR 92.205-92.209. The HOME Funds shall not be used for project reserve accounts except as expressly authorized or to provide operating subsidies.

Owner represents that it is not primarily a religious organization; that Owner is not using HOME Funds to rehabilitate or construct housing owned by primarily religious organizations or to assist primarily religious organizations in acquiring housing; that the Project is being used by Owner exclusively for secular purposes; that the Project units are available to all persons regardless of religion; and that there are no religious or membership criteria for tenants of the Property.

4. PROPERTY STANDARDS. Upon completion, the Project will comply with the applicable property standards of 24 CFR 92.251. For the term of these Funding Requirements, Owner shall provide Agency access at all reasonable times for inspection to assure compliance with such standards. Such provisions are generally as follows:

a. If the Project is new construction, it must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. Newly constructed housing must meet the current edition of the Model Energy Code published by the Council of American Building Officials.

b. All other HOME-assisted housing (such as acquisition) must meet all applicable State and local housing quality standards and code requirements.

c. The housing must meet the accessibility requirements at 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619).

d. Construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards established in 24 CFR part 3280. These standards pre-empt State and local codes covering the same aspects of performance for such housing. Also, installation of manufactured housing units must comply with applicable State and local laws or codes, or in the absence of such laws or codes, the participating jurisdiction must comply with the manufacturer's written instructions for installation of manufactured housing units. Manufactured housing that is rehabilitated using HOME funds must meet the requirements set out in section 4.a.

e. Owner must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401.

5. LEAD-BASED PAINT. Owner shall comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations.

6. AFFORDABILITY REQUIREMENTS. Owner shall assure that the of HOME Restricted Units shall be rented at or below the following rates:

a. Low-Income Units shall be rented for amounts that do not exceed thirty percent (30%) of sixty-five percent (65%) of the Sacramento Metropolitan Statistical Area median income ("Median Income"), as determined annually by the federal Department of Housing and Urban Development ("HUD"), as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted Unit.

b. Very Low-Income Units shall be rented for amounts that do not exceed thirty percent of 50% of the Median Income as adjusted for family size appropriate to the size and number of bedrooms in the respective HOME Restricted.

c. Notwithstanding any other provision, the maximum rent on any HOME-Restricted Unit shall not exceed the "Fair Market Rent" as established by HUD under 24 CFR 888.111.

d. Unless Owner has obtained prior written Agency authorization, Owner shall maintain the allocation of HOME-Restricted Units by the bedroom sizes stated in the Regulatory Agreement.

e. Such maximum rent limits shall be recalculated periodically after HUD determination of the Fair Market Rent or the Median Income; provided, however, that the rents are not required to be lower than the initial rent for the HOME-Restricted Units. Owner shall give tenants not less than thirty (30) days notice of a change in rents.

f. The foregoing affordability requirements may, with the consent of the Agency, terminate on foreclosure or deed in lieu of foreclosure; provided, however, that the affordability requirements will revive according to the original terms if the Owner at the time of foreclosure, or any entity that includes such Owner or anyone with whom such Owner has or had family or business ties, obtains an ownership interest in the Project or Property.

7. OCCUPANCY REQUIREMENTS. Owner shall assure that all HOME Restricted Rental Units shall be initially occupied by households earning less than sixty-five percent (65 %) of Median Income, as verified by the Agency. Notwithstanding any other provision, if more than five units in the Project are HOME-Restricted Units, not less than twenty percent of the HOME-Restricted Units shall be Very Low-Income Units and shall be occupied by families whose annual income does not exceed 50% of the Median Income. If a tenant of a HOME-Restricted Unit no longer qualifies as for the HOME-Restricted Unit as a result of an increase in family income, the HOME-Restricted Unit continues to qualify under these Funding Requirements so long as actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with these Funding Requirements until the noncompliance is corrected. Such tenants shall pay as rent the lesser of the amount payable by the tenant under State or local law or thirty percent (30%) of the family's adjusted income, except that tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by such section. In addition, for projects where HOME units are designated as floating pursuant to 24 CFR 92.252(j), tenants who no longer qualify as low-income are not required to pay as rent an amount that exceeds the market rent for comparable, unassisted units in the neighborhood

8. INCOME VERIFICATION. Owner shall fully cooperate with Agency by requiring every prospective tenant of a HOME Restricted Unit to provide to Owner, prior to initial occupancy of a Home-Restricted Unit and annually, all information required to verify income-eligibility of the prospective tenant to assure income eligibility in accordance with 24 CFR 92.203. For the initial eligibility determination, Owner shall cause the tenant to provide the Agency with the source documents evidencing annual income (by way of example, wage statement, interest statement, unemployment compensation statement) for the family. Thereafter, Owner shall cause the tenant to provide the Owner with such source documents; a written statement of the amount of the family's annual income and family size, with a certification that the information is complete and accurate and assurance that the family will provide source documents upon request; or a written statement from the administrator of a government program under which the family receives benefits and which examines each year the annual income of the family, stating the tenant's family size and the amount of the family's annual income or alternatively, stating the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed such limit.

9. TENANT PROTECTIONS; LEASE PROVISIONS. Owner shall comply with the following provisions for protection of tenants in HOME-Restricted Units.

a. Owner shall enter into an initial lease with a tenant of a HOME-Restricted Unit for not less than one year, unless by mutual agreement between the tenant and the Owner and not required by Owner as a condition of entering into the lease. Such lease shall not contain any of the following provisions, in addition to any other applicable requirements of law:

1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2) Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties; excepting an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit that is in accordance with State law;

- 3) Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
- 4) Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;
- 5) Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
- 6) Agreement by the tenant to waive any right to a trial by jury;
- 7) Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
- 8) Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

b. An Owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable Federal, State, or local law; for completion of the tenancy period for transitional housing; or for other good cause. To terminate or refuse to renew tenancy, the Owner must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of tenancy.

c. Owner must adopt written tenant selection policies and criteria that:

- 1) Are consistent with the purpose of providing housing for very low-income and low-income families;
- 2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;
- 3) Give reasonable consideration to the housing needs of families that would have a Federal preference under section 6(c)(4)(A) of the United States Housing Act of 1936 (commencing at 42 U.S.C. 1437 *et seq.*), as further provided in 24 CFR 92.209(c)(2);
- 4) Provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
- 5) Give prompt written notification to any rejected applicant of the grounds for any rejection.

d. Owner shall not refuse to lease a HOME-Restricted unit to a certificate or voucher holder under 24 CFR 982 – Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program and the Section 8 Rental Voucher Program or to the holder of a comparable document evidencing participation in a HOME tenant-based rental assistance program because of the status of the tenant as a holder of such certificate, voucher or comparable certification.

10. UNIT QUALITY & DETERMINATION OF COST ALLOCATION. OWNER shall assure that HOME Restricted Units assisted with HOME Funds must be comparable in size and amenities to other units in the Project. If the assisted and non-assisted units are comparable in terms of size, features and number of bedrooms, the actual cost of the HOME Restricted units can be determined by pro-rating the total HOME eligible development costs of the Project so that the proportion of the total development costs charged to the HOME program does not exceed the proportion of the HOME Restricted units in the Project. If the assisted and non-assisted units are not comparable, the actual costs may be determined based on a method of cost allocation.

11. COMPLIANCE WITH LOAN DOCUMENTS. Owner shall comply with any and all applicable provisions of the Loan Agreement for so long as they continue to be in effect.

12. REPAYMENT ON DEFAULT OR EARLY TERMINATION. If the Agency determines the Project does not comply with HOME requirements for affordability as specified in 24 CFR 92.252 or 92.254; or if the Project is terminated before completion, either voluntarily or otherwise; or if Owner does not comply with these funding restrictions; or if the Project is determined to be an ineligible activity under HOME, Owner must repay to Agency any HOME Funds invested in the Project upon demand.

13. PROGRAM INCOME. If Project income is considered to be HOME program income, it shall nevertheless be paid to or retained by Owner in accordance with the agreement between Agency and Owner.

14. ADMINISTRATIVE REQUIREMENTS. Owners that are governmental or non-profit organizations shall comply with the provisions of 24 CFR 92.505 regarding uniform administrative requirements. Owner shall cooperate fully with the Agency

and provide all documents and records required by Agency in preparing for HOME related audits. Owner shall comply with all applicable requirements under HOME, including without limitation, recordkeeping and reporting.

15. GOVERNMENTAL ENTITIES, NON-PROFITS, CHDOS. Special HOME regulations apply to an Owner that is governmental or non-profit entities or a community housing development organization. Such Owner is responsible for knowledge of and shall fully comply with such regulations.

16. TERM. These covenants shall burden and regulate the HOME Restricted Units assisted with HOME Funds for the following term as applicable, unless a longer term is specified in the body of the document to which this attached:

a. For rehabilitation or acquisition of existing housing, five (5) years if the subsidy for each of HOME-Restricted Unit is less than \$15,000;

b. For ten (10) years if such subsidy is \$15,000 or more but not more than \$40,000;

c. for fifteen (15) years if such subsidy is more than \$40,000 or if the project involves refinancing of an existing loan; and

d. For new construction or acquisition of newly constructed housing, twenty (20) years.

17. NO TERMINATION ON RECAPTURE. Notwithstanding any other provisions of the Regulatory Agreement, the provisions of this Home Funding and Other Federal Restrictions shall continue for the duration of the applicable preceding term.

EXHIBIT 8**HUD-REQUIRED PROVISIONS RIDER**

§ _____ LOAN DOCUMENTS

This HUD-Required Provisions Rider (the “**Rider**”) is dated as of _____, 20____, and is attached to and made a part of that certain (i) _____ (the “**Modification to _____**”) which modifies that certain _____ recorded in the Official Records of _____ County on _____, as Instrument No. _____ (the “_____”) between _____, **L.P.**, a California limited partnership, its successors and assigns (the “**Borrower**”) and the Sacramento Housing and Redevelopment Agency (“**Agency**”), (ii) Promissory Note from Borrower to _____ (the “**Note**”) and (iii) _____ between Borrower and the Agency, all dated _____, (collectively, the “**Agency Documents**”), relating to the property commonly known as _____ Apartments (the “**Development**”). In the event of any conflict, inconsistency or ambiguity between the provisions of the Agency Documents, this Rider and the HUD Capital Advance Documents (defined below), the provisions of the HUD Capital Advance Documents shall control. All capitalized terms used herein and not otherwise defined herein shall have the meaning given to such terms in the Agency Documents. As used in this Rider, the term “**HUD Capital Advance Documents**” shall mean the following documents relating to the HUD Section 811 Capital Advance for the Development (HUD Project No. _____).

- A. Deed of Trust on the Property from Borrower to HUD (the “**HUD Deed of Trust**”);
 - B. Regulatory Agreement between Borrower and HUD recorded against the Property (“**HUD Regulatory Agreement**”);
 - C. Capital Advance Program use Agreement between Borrower and HUD recorded concurrently herewith (the “**HUD Use Agreement**”), incorporated by reference in the HUD Deed of Trust;
 - D. HUD Security Agreement between Borrower and HUD (the “**HUD Security Agreement**”);
 - E. HUD Project Rental Assistance Contract (the “**PRAC**”); and
 - F. Other HUD Capital Advance documents.
1. Term of Rider. Notwithstanding anything else in this Rider to the contrary, the provisions of this Rider shall be and remain in effect only so long as the HUD Documents, or any of them, are in effect; thereafter, this Rider and its requirements shall be deemed no longer in effect.

2. Subordination. The covenants contained in the Agency Documents shall be subordinate to the rights of HUD under the HUD Capital Advance Documents, and to the HUD rules and regulations pertaining thereto; and furthermore, the Agency Documents shall not be enforceable against the HUD Secretary, his or her successors and assigns, should the HUD Secretary acquire title to the Property by power of sale, foreclosure, or by deed in lieu of foreclosure. In addition, so long as the HUD Capital Advance Documents are in effect, in the event that there are any conflicts between the terms and conditions in the Agency Documents and the terms and conditions of the HUD Capital Advance Documents and HUD rules and regulations pertaining thereto, the HUD documents and HUD rules and regulations shall prevail. No default may be declared under the Agency Documents without HUD prior written consent.
3. HUD Rules. During the time period in which Section 811 or the PRAC regulations apply to the development, rents approved by HUD pursuant to the Section 811 program and the PRAC shall be deemed to be in compliance with the Agency Regulatory Agreement, and compliance by the Developer with the Section 811 Regulations and the PRAC with respect to continued occupancy by households whose incomes exceed the eligible income limitations of Section ____ of the Agency Regulatory Agreement, or other matters set forth in the Agency Regulatory Agreement, shall be deemed to be compliance with the requirements of the Agency Documents. Nothing in the Agency Documents shall in any way limit, interfere or conflict with the rights of HUD with respect to development, operation and management of the Development; nor can the Agency Documents in any way jeopardize the continued operation of the project on terms at least as favorable to existing as well as future tenants.
4. Agency Loan Disbursement. Upon continued satisfaction of the conditions precedent to loan disbursement set forth in the Agency Loan Documents, Agency shall disburse the Agency Loan proceeds to Borrower from time to time following approval by Agency and HUD of Borrower's requisitions in accordance with the HUD Documents. HUD approval of a requisition shall be deemed Agency approval, provided that the requisition conforms to the use of Agency funds shown in the Financing Plan approved by Agency and is an eligible use of Agency funds. Agency agrees that the uses of Agency funds shown in the Financing Plan are eligible uses. Requisitions not requiring HUD approval shall be submitted only to Agency for approval and disbursement pursuant to the Agency Deed of Trust.
5. Residual Receipts. Any whole or partial repayment of the principal and any other payments as set forth in the Agency Documents shall be made only from Residual Receipts (as defined in the HUD Regulatory Agreement between Borrower and the Secretary executed in connection with the Development and the HUD Capital Advance Documents), and then only after obtaining the prior written approval of HUD, or as otherwise allowed by HUD in writing, or from the Borrower's own funds.
6. Indemnification. Enforcement by Agency of any indemnification provisions in the Agency Documents will not and shall not result in any monetary claim against the Development, the HUD Capital Advance proceeds, any reserve or deposit required by HUD in connection with the HUD Capital Advance, or the rents or other income from the Development other than residual receipts authorized for release by HUD, without the prior written consent of HUD, but Agency shall have the right to add any amounts due Agency pursuant to indemnification provisions in the Agency Documents to the principal amount of the Loan and the Note and

interest shall accrue thereon commencing on the date indemnification payments are due. In addition, any indemnification provisions shall not be enforceable against the HUD Secretary, his or her successors and assigns, should the HUD Secretary acquire title to the Project by power of sale, foreclosure, or by deed-in-lieu of foreclosure.

7. Transfer. Approval by HUD of a Transfer of Physical Assets (as defined in Handbook 4350.1 Rev-i) (“**TPA**”) shall constitute approval of the transfer by Agency and the Borrower shall deliver to Agency, at the same time as its delivery to HUD, any application for HUD’s approval of a proposed transfer. Also, the Borrower shall require the transferee to expressly assume the Borrower’s obligations under the Agency Documents; provided, however, HUD shall not be required to enforce the requirements of this sentence and if Borrower and any transferee fail to include such assumption in transfer documents, such failure shall not affect the validity of the transfer. Agency shall have the right to specifically enforce the requirement that any transferee assume the Borrower’s obligations under the Agency Documents. In the absence of such written assumption, no transfer shall be deemed to relieve the transferor from any obligations under the Agency Documents.
8. Default under Agency Documents. Agency shall not declare a default under the Agency Documents unless it has received the prior written approval of HUD, and Agency’s right to accelerate the Agency Note during the term of the HUD Capital Advance Documents shall be enforceable only with the prior written approval of HUD.
9. Receiver. Agency, for itself, its successors and assigns further covenants and agrees that in the event of the appointment of a receiver in any action by Agency, its successors or assigns, to foreclose the Agency Deed of Trust, no rents, revenue or other income of the Development collected by the receiver or by the mortgagee-in-possession shall be utilized for the payment of interest, principal, or any other charges due and payable under the Agency Deed of Trust, except from Residual Receipts, if any, as the term is defined in the HUD Regulatory Agreement. The appointment of a receiver shall require approval by the Secretary of HUD, and pursuant to HUD regulations, as long as Agency is the beneficiary under the Agency Deed of Trust, Agency cannot be mortgagee-in-possession. In the event of the appointment, by any court, of any person, other than HUD or Agency, as a receiver or a mortgagee or party in possession, or in the event of any enforcement of any assignment of leases, rents, issues, profits, or contracts contained in the Agency Documents, with or without court action, no rents, revenue or other income of the Development collected by the receiver, person in possession or person pursuing enforcement as aforesaid, shall be utilized for the payment of interest, principal or any other amount due and payable under the provisions of the Agency Documents, except from Residual Receipts in accordance with the HUD Regulatory Agreement. The receiver, person in possession or person pursuing enforcement shall operate the Development in accordance with all provisions of the HUD Capital Advance Documents.
10. Deed in Lieu of Foreclosure. In the event that HUD acquires title to the Property by deed in lieu of foreclosure, the lien of the Deed of Trust will automatically terminate subject to the conditions as hereinafter described. Agency may cure a default under the HUD Deed of Trust prior to conveyance by deed in lieu of foreclosure. HUD shall give written notice to the Borrower of a proposed tender of title in the event HUD decides to accept a deed in lieu of foreclosure. HUD will only give such written notice if, at the time of the placing of the Deed of Trust against the Property, HUD receives a copy of an endorsement to the title policy of the

Borrower or Agency which indicates that (a) the Deed of Trust has been recorded and (b) HUD is required to give notice of any proposed election or tender of a deed in lieu of foreclosure. Such notice shall be given at the address stated in the Deed of Trust or such other address as may subsequently, upon written notice to HUD, be designated by Agency as its legal business address. Agency shall have thirty (30) days to cure the default after notice of intent to accept a deed in lieu of foreclosure is mailed.

11. Borrower's Notice to Agency. Notwithstanding the requirements set forth in Paragraph 10 above, in the event that Borrower contemplates executing a deed in lieu of foreclosure, Borrower shall first give Agency thirty (30) days' prior written notice; provided, however, that the failure of the Borrower to give said notice shall have no effect on the right of HUD to accept a deed in lieu of foreclosure.
12. Maturity Date. The Agency Loan Note may not mature, and may not bear a maturity date, prior to the date on which the HUD Note matures. The term of the Agency Loan Documents shall be extended if the Agency Loan Note matures, there are no residual receipts or non-Project funds available for repayment and the HUD Deed of Trust has not been retired in full or if HUD grants a deferment of amortization or forbearance that results in an extended maturity of the HUD Loan Documents.
13. Sale, Transfer or Assignment of the Agency Loan Note. The Agency Loan Note is non-negotiable and may not be sold, transferred, assigned or pledged by Agency except with the prior approval of HUD.
14. Bona Fide Transaction. Agency hereby certifies that this is a bona fide transaction and that it fully understands all the requirements of this Rider, and that no prepayment of principal or interest from Residual Receipts/Surplus Cash shall be accepted without evidence that the Secretary of HUD has authorized such prepayment. If an unauthorized prepayment from Residual Receipts/Surplus Cash is accepted, the funds shall be held by Agency in trust for the Development.
15. Interest Rate. The interest rate is not to exceed the highest permissible rate established by the Secretary of HUD.
16. Amendment. No amendment to the Agency Documents made after the date of this Rider shall have any force or affect until and unless such amendment is approved in writing by HUD.
17. Counterparts. This Rider may be executed in counterparts.

IN WITNESS WHEREOF, the Borrower and Agency have executed this Rider as follows:

“BORROWER”:

_____,
a California limited partnership

By: _____,
a California nonprofit public benefit corporation,
its general partner

By: _____
Its: _____

“AGENCY”

Sacramento Housing and Redevelopment Agency,
a joint powers agency,

By: _____
Its: _____

APPROVED AS TO FORM:

By: _____
Title: _____