

CONSTRUCTION AND PERMANENT LOAN AGREEMENT

by and between

THE COUNTY OF NEVADA

and

NEVADA CITY CASHIN'S FIELD, LP

(Cashin's Field)

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CONSTRUCTION AND PERMANENT LOAN AGREEMENT
(Cashin's Field)

This Construction and Permanent Loan Agreement (the "Agreement") is dated as of _____ 1, 2021 (the "Effective Date"), by and between the County of Nevada, a political subdivision of the State of California (the "County"), in its capacity as the administrator of the Western Nevada County Regional Housing Trust Fund (the "WNCRHTF"), and Nevada City Cashin's Field, LP, a California limited partnership (the "Borrower").

RECITALS

A. Capitalized terms used, but not defined, in these recitals are as defined in Article 1 of this Agreement.

B. On, or about, March 25, 2021, the Borrower was selected by the County as the successful firm under the RFP based on the Borrower's proposal under the RFP. The RFP, and the Borrower's proposal under the RFP, are hereby incorporated into this Agreement by this reference.

C. On, or about, the Effective Date, the Borrower acquired the Property for the purpose of constructing, owning, and operating the Development.

D. This Agreement evidences the County's loan to Borrower for construction of the Development, in the amount of One Million Five Hundred Seventy-Five Thousand Dollars (\$1,575,000).

NOW, THEREFORE, in consideration of the recitals hereof and the mutual promises and covenants set forth in this Agreement, the Parties agree as follows:

ARTICLE 1
DEFINITIONS AND EXHIBITS

Section 1.1 Definitions.

The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

(a) "Administrative General Partner" means Nevada City Cashin's Field, LLC, a California limited liability company.

(b) "Administrative General Partner Fee" means the fee payable to the Administrative General Partner pursuant to the Partnership Agreement in the amount of Fifteen Thousand Dollars (\$15,000) per year, increasing annually by three percent (3%).

(c) "Agreement" means this Construction and Permanent Loan Agreement.

(d) "Annual Operating Budget" has the meaning in Section 4.5 below.

(e) "Annual Operating Expenses" means for each calendar year, the following costs reasonably and actually incurred for operation and maintenance of the Development:

(1) property taxes and assessments imposed on the Development;

(2) debt service currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Development) on loans associated with Development Financing;

(3) property management fees and reimbursements, on-site property management office expenses, and salaries of property management and maintenance personnel, not to exceed amounts that are standard in the industry and pursuant to a management contract approved by the County;

(4) fees for accounting, audit, and legal services incurred by Borrower's general partner(s) in the asset management of the Development, not to exceed amounts that are standard in the industry, to the extent such fees are not included in the Managing General Partner Fee, the Administrative General Partner Fee, or Limited Partner Fee;

(5) premiums for property damage and liability insurance;

(6) utility services not paid for directly by tenants, including water, sewer, and trash collection;

(7) maintenance and repair;

(8) any annual license or certificate of occupancy fees required for operation of the Development;

(9) security services;

(10) advertising and marketing;

(11) cash deposited monthly into reserves for capital replacements of the Development in an amount not to exceed \$350 per unit per year, increasing annually by three percent (3%);

(12) cash deposited into an operating reserve as needed to replenish the minimum operating reserve requirement in accordance with the Borrower's Partnership Agreement;

(13) the Administrative General Partner Fee, the Managing General Partner Fee and the Limited Partner Fee, as described in Section 2.11;

(14) the Deferred Developer Fee, as described in Section 2.10;

(15) extraordinary operating costs specifically approved in writing by the County;

(16) payments of deductibles in connection with casualty insurance claims not normally paid from reserves, the amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves, and other ordinary and reasonable operating expenses approved in writing by the County and not listed above.

Annual Operating Expenses do not include the following: depreciation, amortization, depletion or other non-cash expenses, any amount expended from a reserve account, any capital cost associated with the Development, as determined by the accountant for Borrower.

(f) "Board of Supervisors" means the board of supervisors of the County.

(g) "Borrower" means Nevada City Cashin's Field, LP, a California limited partnership, and its permitted successors or assigns.

(h) "Borrower's Share of Residual Receipts" shall mean fifty percent (50%) of Residual Receipts.

(i) "Business Day" shall mean a day of the week on which the County is open to the public for carrying on substantially all business functions of the County. In no event shall a Saturday, Sunday, or any legal holiday in the State of California be considered a Business Day.

(j) "County" means the County of Nevada, a political subdivision of the State of California.

(k) "County Loan" or "Loan" means the loan to the Borrower from the County, on behalf of the WNCRHTE, in the principal amount not to exceed One Million Five Hundred Seventy-Five Thousand Dollars (\$1,575,000), as evidenced by the Note. The County Loan consists of LHTE funds, PLHA funds, funded pursuant to the Standard Agreement, and other sources of funding as set forth on Exhibit C.

(l) "County Officer " means the County Executive Officer of the County, or his or her designee.

(m) "County Prorata Percentage" means the percentage resulting from dividing the County Loan funds disbursed to the Borrower in accordance with this Agreement by the sum of such County Loan funds disbursed in accordance with this Agreement and the City Loan funds disbursed to the Borrower in accordance with the City Loan Agreement. As of the Effective Date, the amount of the County Prorata Percentage is anticipated to be ___% of the Lender's Share of Residual Receipts.

(n) "County's Prorata Percentage of the Net Proceeds of Permanent Financing" means ___%.

(o) "Code" means the Internal Revenue Code of 1986, as amended.

(p) "Commencement of Construction" has the meaning set forth in Section 3.5 below.

(q) "Completion Date" means the date a final certificate of occupancy, or equivalent document, is issued by the Nevada City's building department, to certify that the Development may be legally occupied.

(r) "Construction Bonds" has the meaning set forth in Section 3.4 below.

(s) "Construction Closing" means the date that deeds of trust evidencing the Development Financing described in Sections 1.1(cc), and the County Loan are recorded against the Property, immediately prior to the Commencement of Construction.

(t) "Control" shall mean direct or indirect management or control of: (1) the managing member or members in the case of a limited liability company; (2) the managing general partner or general partners in the case of a partnership; and (3) a majority of the directors in the case of a corporation, as determined by the County.

(u) "County" means the County of Nevada, a political subdivision of the State of California.

(v) "Deed of Trust" means the deed of trust that will encumber the Development to secure repayment of the County Loan.

(w) "Default" has the meaning set forth in Section 6.1 below.

(x) "Default Rate" means the lesser of the maximum rate permitted by law and ten percent (10%) per annum.

(y) "Deferred Developer Fee" has the meaning set forth in Section 2.10.

(z) "Developer Fee" has the meaning set forth in Section 2.10.

(aa) "Development" means the Property and the Improvements.

(bb) "Development Budget" has the meaning given in Section 3.10 below.

(cc) "Development Financing" means all of the following funds obtained by Borrower, and approved by the County for the purpose of financing the construction of the Development, in addition to the County Loan:

(1) A construction loan utilizing funds from Wells Fargo Bank, National Association, or another commercial lender reasonably acceptable to the County (the "Bank"), in the approximate amount of _____ Dollars (\$_____) (the "Bank Loan");

(2) A permanent loan in the approximate amount of _____ Dollars (the "Permanent Loan") from Berkadia Commercial Mortgage LLC,

a Delaware limited liability company, or another commercial lender reasonably acceptable to the County (the "Permanent Lender");

(3) A loan from Nevada City in the approximate amount of Two-Hundred Thousand Dollars (\$200,000) (the "City Loan") pursuant to a loan agreement between Nevada City and the Borrower (the "City Loan Agreement"), and related documents;

(4) Low Income Housing Tax Credit investor equity funds in the approximate amount of _____ Dollars (\$_____), subject to the terms, conditions, and adjustments of the Partnership Agreement (the "Tax Credit Investor Equity"), provided by the Investor Limited Partner;

(dd) "Development Fiscal Year" shall mean for the Development, the annual period commencing on January 1 and concluding on December 31 each year.

(ee) "Fifteen Year Compliance Period" means the fifteen (15)-year compliance period as described in Section 42(i)(1) of the Code.

(ff) "Final Cost Certification" has the meaning set forth in Section 3.15.

(gg) "Final Development Cost" means the total of the cost of construction of the Development as shown on the Final Cost Certification.

(hh) "Force Majeure" means the occurrence of one or more of those events described in Section 7.14, permitting an extension of time for performance of obligations under this Agreement.

(ii) "Grass Valley" means the City of Grass Valley, a municipal corporation.

(jj) "Gross Revenue" means for each calendar year, all revenue, income, receipts, and other consideration actually received from the operation and leasing of the Development. Gross Revenue includes, but is not limited to:

- (1) all rents, fees and charges paid by tenants;
- (2) Section 8 payments or other rental subsidy payments received for the dwelling units;
- (3) deposits forfeited by tenants;
- (4) all cancellation fees;
- (5) price index adjustments and any other rental adjustments to leases or rental agreements;
- (6) net proceeds from vending and laundry room machines;
- (7) the proceeds of business interruption or similar insurance and not paid to senior lenders;

(8) the proceeds of casualty insurance not used to rebuild the Development and not paid to senior lenders; and

(9) condemnation awards for a taking of part or all of the Development for a temporary period.

Gross Revenue does not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

(kk) "Hazardous Materials" means: (i) any substance, material, or waste that is petroleum, petroleum-related, or a petroleum by-product, asbestos or asbestos-containing material, polychlorinated biphenyls, flammable, explosive, radioactive, freon gas, radon, or a pesticide, herbicide, or any other agricultural chemical; (ii) mold (which has been or is proven to be harmful to human beings), fungus (which has been or is proven to be harmful to human beings), or toxic and mycotoxin spores; and (iii) any waste, substance or material defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "toxic materials", "toxic waste", "toxic substances," or words of similar import under any Hazardous Materials Law.

(ll) "Hazardous Materials Claims" means with respect to the Property: (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against Borrower or the Property pursuant to any Hazardous Materials Law; and (ii) all claims made or threatened by any third party against Borrower or the Property relating to damage, contribution, cost recovery compensation, loss or injury resulting from any Hazardous Materials.

(mm) "Hazardous Materials Law" means any federal, state or local laws, ordinances, or regulations relating to any Hazardous Materials, health, industrial hygiene, environmental conditions, or the regulation or protection of the environment, and all amendments thereto as of this date and to be added in the future and any successor statute or rule or regulation promulgated thereto.

(nn) "HCD" means the State of California Department of Housing and Community Development, or any successor.

(oo) "Indemnified Parties" means, collectively: (i) the County, (ii) Nevada City; (iii) Grass Valley; and (iv) each of their respective members of the board of supervisors, councilmembers, commissioners, directors, officers, employees, agents, and each of their successors and assigns. "Indemnified Party" means any one of the Indemnified Parties.

(pp) "Improvements" means the fifty-one (51) unit housing development, including one (1) manager's unit, appurtenant landscaping and on-site improvements to be constructed on the Property.

(qq) "Intercreditor Agreement" means that certain intercreditor agreement by and among, the City, the Borrower, and the County.

(rr) "Investor Limited Partner" means R4 CFCA Acquisition LLC, a _____, or its affiliate, or its successors and assigns.

(ss) "Lender's Share of Residual Receipts" shall mean fifty percent (50%) of Residual Receipts to be allocated to the City, in the amount of the City Prorata Percentage, and to the County, in the amount of the County Prorata Percentage.

(tt) "LHTF" means the Local Housing Trust Fund program implemented by HCD.

(uu) "Limited Partner Fee" means fee payable to the Investor Limited Partner pursuant to the Partnership Agreement during the Fifteen Year Compliance Period, in the amount of Five Thousand Dollars (\$5,000) per year (increasing annually by a maximum of three percent (3%)).

(vv) "Loan Documents" means this Agreement, the Note, the Regulatory Agreement, the Deed of Trust, the Intercreditor Agreement, and any other document or agreement evidencing the Loan.

(ww) "Management Plan" has the meaning set forth in Section 4.2 below.

(xx) "Managing General Partner" means Cashin's Field-BBP, LLC, a California limited liability company, the managing general partner of the Borrower.

(yy) "Managing General Partner Fee" means the fee payable to the Managing General Partner pursuant to the Partnership Agreement during the Fifteen Year Compliance Period, in the amount of Five Thousand Six Hundred Dollars (\$5,600) per year (increasing annually by a maximum of three percent (3%)).

(zz) "Marketing Plan" has the meaning set forth in Section 4.1 below.

(aaa) "Net Proceeds of Permanent Financing" means the amount by which Permanent Financing exceeds Final Development Costs.

(bbb) "Nevada City" means the City of Nevada City, a municipal corporation.

(ccc) "Note" means the promissory note, in the amount of the County Loan executed by the Borrower in favor of the County.

(ddd) "Official Records" means the official land records of the County.

(eee) "Operating Memorandum" has the meaning given in Section 7.16 below.

(fff) "Partnership Agreement" means the agreement between Borrower's general partners and the Investor Limited Partner that governs the operation and organization of Borrower as a California limited partnership.

(ggg) "Parties" means the County and Borrower. "Party" means either one of the Parties.

(hhh) "Permanent Conversion" means the date the Bank Loan is repaid, or converts from a construction loan to a permanent loan (as applicable).

(iii) "Permanent Financing" means the sum of the following amounts: (i) the City Loan; (ii) the Permanent Loan; (iii) the County Loan; and (iv) the Tax Credit Investor Equity.

(jjj) "PLHA" means the Permanent Local Housing Allocation program implemented by HCD.

(kkk) "Property" means the real property located in the Nevada City, more particularly described in the attached Exhibit A.

(lll) "Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants between the County and Borrower to be recorded against the Property at Construction Closing.

(mmm) "Related Entity Investor Transferee" means any entity under the Control of, Controlling, or under common Control with, the Investor Limited Partner.

(nnn) "Statement of Residual Receipts" means an itemized statement of Residual Receipts, including the City Prorata Percentage and the County Prorata Percentage.

(ooo) "Residual Receipts" means for each calendar year, the amount by which Gross Revenue exceeds Annual Operating Expenses.

(ppp) "RFP" means the request for proposals number 138337 dated February 12, 2021, prepared and published by the County on behalf of the WNCRHTF.

(qqq) "RHA" means Regional Housing Authority, a joint powers authority.

(rrr) "Standard Agreement" means, collectively: (i) the Standard Agreement between HCD and the County for the LHTF funds received allocated by HCD to the County (Contract No. 20-LHTFCOM-15789); (ii) the Standard Agreement between HCD and the County for the PLHA funds allocated by HCD to the County (Contract No. 20-PLHA-15173); (iii) the Standard Agreement between HCD and the County for the PLHA funds allocated by HCD to the County (Contract No. 20-PLHA-15173); (iv) the Standard Agreement between HCD and the County for the PLHA funds allocated by HCD to the County on behalf of Grass Valley (Contract No. 20-PLHA-15158); and (v) the Standard Agreement between HCD and the County for the PLHA funds allocated by HCD to the County on behalf of Nevada City (Contract No. 20-PLHA-15172).

(sss)"Tax Credit Investor Equity" has the meaning set forth in Section 1.1(cc)(4).

(ttt) "TCAC" means the California Tax Credit Allocation Committee.

(uuu) "Term" means the period of time that commences as of the Effective Date, and expires, unless sooner terminated in accordance with this Agreement, on the fifty-fifth (55th) anniversary of the Completion Date; provided, however, if a record of the Completion Date cannot be located or established, the Term will expire on the fifty-seventh (57th) anniversary of the Effective Date.

(vvv) "Title Company" means Placer Title Company.

(www) "Transfer" has the meaning set forth in Section 4.11 below.

(xxx) "Unit" means one (1) of the fifty-one (51) multi-family residential units to be constructed on the Property.

(yyy) "WNCRHTF" means the Western Nevada County Regional Housing Trust Fund comprised of the County, Grass Valley, and Nevada City pursuant to that certain Memorandum of Understanding dated as of July 1, 2020.

Section 1.2 Exhibits.

The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

Exhibit A: Legal Description of the Property
Exhibit B: Development Budget
Exhibit C: Funding Sources for County Loan

ARTICLE 2 LOAN PROVISIONS

Section 2.1 Loan.

On and subject to the terms and conditions of this Agreement, the County shall make the County Loan to Borrower. Borrower's obligation to repay the County Loan is evidenced by the Note.

Section 2.2 Interest.

(a) Interest. Subject to the provisions of Section 2.2(b) below, the outstanding principal balance of the County Loan will accrue interest from the date of the Note, at the rate of three percent (3%).

(b) Default Interest. In the event of a Default (and any applicable notice and cure period), interest on the County Loan will begin to accrue, as of the date of Default and continue until such time as the County Loan funds are repaid in full or the Default is cured, at the Default Rate.

Section 2.3 Security.

Borrower shall secure its obligation to repay the County Loan, as evidenced by the Note, by executing the Deed of Trust, and causing or permitting it to be recorded as a lien against the Property. Borrower shall also cause or permit the Regulatory Agreement to be recorded against the Property.

Section 2.4 Subordination.

(a) The County will agree to subordinate the Deed of Trust to the deed of trust evidencing the Bank Loan, and the Permanent Loan, subject to the satisfaction of the following conditions:

(1) All of the proceeds of the proposed Bank Loan, less any transaction costs, are used to provide acquisition, construction, and/or permanent financing for the Development.

(2) The maker of the Bank Loan is a state or federally chartered financial institution, a nonprofit corporation or a public entity that is not affiliated with Borrower or any of Borrower's affiliates, other than as a depositor or a lender.

(3) Borrower demonstrates to the County's reasonable satisfaction that subordination of the Deed of Trust and/or Regulatory Agreement is necessary to secure adequate acquisition, construction and/or permanent financing to ensure the viability of the Development, including the operation of the Development as affordable housing, as required by the Loan Documents. To satisfy this requirement, Borrower must provide to the County, in addition to any other information reasonably required by the County, evidence demonstrating that the proposed amount of the Bank Loan is necessary to provide adequate acquisition, construction, and/or permanent financing to ensure the viability of the Development, and adequate financing for the Development would not be available without the proposed subordination.

(4) The subordination agreement(s) is structured to minimize the risk that the Deed of Trust and/or Regulatory Agreement will be extinguished as a result of a

foreclosure by the holder of the Bank Loan. To satisfy this requirement, the subordination agreement must provide the County with adequate rights to cure any defaults by Borrower, including: (i) providing the County or its successor with copies of any notices of default at the same time and in the same manner as provided to Borrower; and (ii) providing the County with a cure period of at least sixty (60) days to cure any default.

(5) The subordination(s) of the County Loan to the Bank Loan is effective only during the original term of the Bank Loan, and any extension of the applicable loan term that is approved in writing by the County.

(6) The subordination does not limit the effect of the Deed of Trust and/or Regulatory Agreement before a foreclosure, nor require the consent of the holder of the Bank Loan prior to the County exercising any remedies available to the County under the Loan Documents, or otherwise limit or impair the County's ability to enforce the Regulatory Agreement.

(b) Upon a decision by the County to subordinate the Deed of Trust and/or Regulatory Agreement to the Bank Loan, and the determination by the County Executive Officer that the conditions in this Section 2.4 have been satisfied, the County Executive Officer will be authorized to execute the approved subordination agreement without the necessity of any further action or approval by the Board of Supervisors.

Section 2.5 Construction Closing.

Upon Construction Closing the following shall occur:

- (a) Borrower shall have acquired the Property.
- (b) Borrower shall execute the Note.
- (c) Borrower shall execute the Deed of Trust, and Borrower shall record the Deed of Trust as a lien against the Property.
- (d) Borrower and County shall execute the Regulatory Agreement, and Borrower shall record the Regulatory Agreement as an encumbrance against the Property.

Section 2.6 Conditions to Closing.

The County shall not be obligated to take any action under the Loan Documents and authorize the Title Company to proceed towards Construction Closing unless the following conditions precedent are satisfied prior to Construction Closing:

- (a) There exists no Default nor any act, failure, omission or condition that would constitute an event of Default under this Agreement;
- (b) The County has received a copy of authorizing resolutions from Borrower, authorizing Borrower's execution of the Loan Documents and the transactions contemplated by this Agreement;

(c) There exists no material adverse change in the financial condition of Borrower from that shown by the financial statements and other data and information furnished by Borrower to the County prior to the date of this Agreement;

(d) Borrower has furnished the County with: (i) the construction bonds meeting the requirements of Section 3.1; and (ii) evidence of the insurance coverage meeting the requirements of Section 4.10 below;

(e) Borrower has executed and delivered to the County the Note, the Deed of Trust, and the Regulatory Agreement; and the Deed of Trust, and Regulatory Agreement have been, or will be concurrently with the Construction Closing, recorded against the Property in the Official Records in a lien position acceptable to the County;

(f) Borrower has executed and delivered to the County all other documents, instruments, and policies required under the Loan Documents;

(g) The Title Company is unconditionally and irrevocably committed to issuing to the County a 2006 ALTA Lender's Policy of title insurance insuring the priority of the Regulatory Agreement, and the Deed of Trust in the amount of the County Loan subject only to such exceptions and exclusions as may be reasonably acceptable to the County, and containing such endorsements as the County may reasonably require. The Borrower shall provide whatever documentation (including an indemnification agreement), deposits or surety is reasonably required by the Title Company in order for the County's Deed of Trust to be senior in lien priority to any mechanics liens in connection with any start of construction that has occurred prior to the recordation of the Deed of Trust against the Property in the Official Records;

(h) Borrower has closed on the Development Financing, and the Borrower has executed the Partnership Agreement in which the Investor Limited Partner is obligated to provide Borrower the Tax Credit Investor Equity;

(i) Borrower has reimbursed the County for certain County staff time and County outside counsel fees related to the Development in the amount of Twenty-Five Thousand Dollars (\$25,000) (this condition may be satisfied in conjunction with the Construction Closing); and

(j) If requested by the County, the County has received a written draw request from the Borrower, and setting forth the proposed uses of funds consistent with the County approved Development Budget, the amount of funds needed, and, where applicable, a copy of the bill or invoice covering a cost incurred or to be incurred.

Provided the conditions set forth above have been satisfied, the County shall disburse the County Loan. The Borrower shall satisfy all conditions precedent to the funding of the Loan no later than October 31, 2021.

Section 2.7 Repayment of the County Loan.

The County Loan shall be repaid as follows:

(a) Subject to Subsection (c) below, commencing on May 15, 2023, and on May 15 of each year thereafter during the Term, Borrower shall make a loan payment in an amount equal to the County's Share of Residual Receipts, (each, an "Annual Payment"). Annual Payments will be applied first, to accrued interest, and second, to principal.

(b) Additional Payment from Net Proceeds of Permanent Financing. Commencing on May 15, 2023, or such other date as reasonably acceptable to the County, Borrower shall pay to the County the County's Prorata Percentage of the Net Proceeds of Permanent Financing, as a special repayment of the County Loan. No later than one hundred eighty (180) days following completion of construction of the Development, Borrower shall submit to the County for its review a preliminary calculation of the Net Proceeds of Permanent Financing and a draft of the Final Cost Certification as defined Section 3.15 below. The County shall approve or disapprove Borrower's determination of the amount of the Net Proceeds of Permanent Financing in writing within thirty (30) days after receipt. If Borrower's determination is disapproved by the County, Borrower shall re-submit documentation to the County until the County approval is obtained.

(c) Payment in Full. Borrower shall pay all outstanding principal and accrued interest on the County Loan, in full, on the earliest to occur of: (i) any Transfer other than as permitted pursuant to Section 4.14; (ii) an event of Default unless County permits Borrower to cure such Default; and (iii) the expiration of the Term.

(d) Prepayment. Borrower may prepay the Loan at any time without premium or penalty. However, the Regulatory Agreement will remain in effect for the entire Term, regardless of any prepayment or Transfer.

Section 2.8 Reports and Accounting of Residual Receipts.

In connection with the Annual Payment, Borrower shall furnish to the County:

(a) The Statement of Residual Receipts for the relevant period. The first Statement of Residual Receipts will cover the period that begins as of Construction Completion and ends on December 31st of that same year. Subsequent statements of Residual Receipts will cover the twelve (12) month period that ends on December 31 of the prior year;

(b) A statement from the independent public accountant that audited the Borrower's financial records for the relevant period, which statement must confirm that Borrower's calculation of the Lender's Share of Residual Receipts, the City Prorata Percentage, and the County Prorata Percentage are accurate based on Gross Revenue and Annual Operating Expenses; and

(c) Any additional documentation reasonably required by the County to substantiate Borrower's calculation of the County Prorata Percentage.

The receipt by the County of any statement pursuant to subsection (a) above or any payment by Borrower or acceptance by the County of any County Loan repayment for any period does not bind the County as to the correctness of such statement or payment. The County

may audit the Residual Receipts and all books, records, and accounts pertaining thereto pursuant to Section 4.7 below.

Section 2.9 Non-Recourse.

Except as provided below, neither Borrower nor any of its partners shall have any direct or indirect personal liability for payment of the principal of, or interest on, the County Loan. Following recordation of the Deed of Trust the sole recourse of the County with respect to the principal of, or interest on, the Note will be to the Property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall: (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the County thereunder; or (b) be deemed in any way to impair the right of the County to assert the unpaid principal amount of the Note as demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest, on the Note and the performance of Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve Borrower of its obligation to indemnify the County under this Agreement; or liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

Section 2.10 Developer Fee.

The maximum cumulative Developer Fee that may be paid to _____, in its capacity as the developer of the Development, whether paid up-front or on a deferred basis, is not to exceed _____ Dollars (\$ _____), or such other amount as approved by the County in writing. Deferred Developer Fee means the portion of Developer Fee to be paid out of Gross Revenue after completion of the construction of the Development, in the amount set forth in the Development Budget.

Section 2.11 Partner Fees.

During the Fifteen Year Compliance Period, the Limited Partner Fee is not to exceed Five Thousand Dollars (\$5,000) per year, increasing annually by three percent (3%). The Limited Partner Fee is payable from Gross Revenue and pursuant to the Partnership Agreement may accrue in any year there is insufficient Gross Revenue to make a payment in the amount set forth above. During the Fifteen Year Compliance Period, the Administrative General Partner Fee is not to exceed Fifteen Thousand Dollars (\$15,000) per year, increasing annually by three percent (3%). The Administrative General Partner Fee are payable from Gross Revenue and pursuant to the Partnership Agreement may accrue in any year there is insufficient Gross Revenue to make a payment in the amount set forth above. During the Fifteen Year Compliance Period, the Managing General Partner Fee is not to exceed Five Thousand Six Hundred Dollars

(\$5,600) per year, increasing annually by three percent (3%). The Managing General Partner Fee are payable from Gross Revenue and pursuant to the Partnership Agreement may accrue in any year there is insufficient Gross Revenue to make a payment in the amount set forth above. Any other partner fees set forth in the Partnership Agreement shall only be payable from Borrower's share of Residual Receipts.

ARTICLE 3 CONSTRUCTION OF THE IMPROVEMENTS

Section 3.1 Performance and Payment Bonds.

Prior to the proposed Commencement of Construction, Borrower shall deliver to the County copies of labor and material bonds and performance bonds for the construction of the Improvements in an amount equal to one hundred percent (100%) of the scheduled cost of the construction of the Improvements (the "Construction Bonds"). Such bonds shall: (i) be in a form reasonably acceptable to the County; (ii) be issued by a surety licensed to do business in California, named in the current list of "Surety Companies Acceptable on Federal Bonds" as published in the Federal Register by the Audit Staff Bureau of Accounts, U.S. Treasury Department, and reasonably acceptable to the County; and (iii) name the County as a co-obligee.

Section 3.2 Commencement of Construction.

Subject to Force Majeure, Borrower shall cause the commencement of construction of the Improvements no later than July 1, 2021, or such later date that the County approves in writing. For the purposes of this Agreement, "commencement of construction" means the date for the start of physical construction of the Development, including any demolition of existing improvements, in the notice to proceed issued by Borrower to Borrower's general contractor.

Section 3.3 Completion of Construction.

Subject to Force Majeure, Borrower shall diligently prosecute construction of the Improvements to completion, and shall cause the completion of the construction of the Improvements no later than _____, 20___. Upon completion of construction Borrower shall promptly apply for a final certificate of occupancy for the Development. Upon request by the County, Borrower shall submit the final certificate of occupancy to the County Executive Officer within seven (7) days after receipt.

Section 3.4 Performance of Work Pursuant to Plans and Laws; Prevailing Wages.

(a) Compliance with Laws. Borrower shall cause all work performed in connection with the Development to be performed in compliance with: (i) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, including (without limitation and where applicable) the prevailing wage provisions of Sections 1770 et seq., of the California Labor Code and implementing rules and regulations, as set forth in subsection (b) below; and (ii) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work

shall proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and Borrower shall be responsible to the County for the procurement and maintenance thereof, as may be required of Borrower and all entities engaged in work on the Development.

(b) Compliance with State Prevailing Wages. This Agreement has been prepared with the intention that the financial assistance provided by the County under this Agreement meets the exceptions set forth in Labor Code Section 1720(c)(5)(E) to the general requirement that state prevailing wages be paid in connection with construction work that is paid for in whole or in part out of public funds; provided, however, that nothing in this Agreement constitutes a representation or warranty by any party regarding the applicability of the provisions of Labor Code Section 1720 et seq. To the extent required by applicable law Borrower shall:

(1) pay, and shall cause any consultants or contractors to pay, prevailing wages in the construction of the Development as those wages are determined pursuant to California Labor Code Section 1720 et seq.;

(2) cause any consultants or contractors to employ apprentices as required by California Labor Code Section 1777.5 et seq., and the implementing regulations of the Department of Industrial Relations (the "DIR"), and to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and implementing regulations of the DIR;

(3) keep and retain, and shall cause any consultants and contractors to keep and retain, such records as are necessary to determine if such prevailing wages have been paid as required pursuant to California Labor Code Section 1720 et seq., and apprentices have been employed are required by California Labor Code Section 1777.5 et seq.;

(4) post at the Property, or shall cause the contractor to post at the Property, the applicable prevailing rates of per diem wages. Copies of the currently applicable current per diem prevailing wages are available from DIR;

(5) cause contractors and subcontractors constructing the Development to be registered as set forth in California Labor Code Section 1725.5;

(6) cause its contractors and subcontractors, in all calls for bids, bidding materials and the construction contract documents for the construction of the Development to specify that:

(A) no contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the construction of the Development unless registered with the DIR pursuant to California Labor Code Section 1725.5; and

(B) the construction of the Development is subject to compliance monitoring and enforcement by the DIR.

(7) provide the County all information required by California Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within 2 days of the award of any contract (<https://www.dir.ca.gov/pwc100ext/>);

(8) cause its contractors to post job site notices, as prescribed by regulation by the DIR; and

(9) cause its contractors to furnish payroll records required by California Labor Code Section 1776 directly to the Labor Commissioner, at least monthly in the electronic format prescribed by the Labor Commissioner.

(c) Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the Indemnified Parties against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to Labor Code Sections 1720 et seq., to employ apprentices pursuant to Labor Code Sections 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the construction of the Development or any other work undertaken or in connection with the Property. The requirements in this subsection shall survive the repayment of the Loan, and the reconveyance of the Deed of Trust.

(d) Accessibility Requirements. To the extent required by applicable law, Borrower shall construct the Development in compliance with all applicable federal and state disabled persons accessibility requirements including but not limited to the Federal Fair Housing Act; Section 504 of the Rehabilitation Act of 1973 ("Section 504"); Title II and/or Title III of the Americans with Disabilities Act; and Title 24 of the California Code of Regulations (collectively, the "Accessibility Requirements"). In compliance with Section 504, upon request from the County, Borrower shall provide the County with a certification from the Development architect that to the best of the architect's knowledge, the Development complies with all federal and state accessibility requirements applicable to the Development. Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the Indemnified Parties against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its architect, contractor and subcontractors) to construct the Development in accordance with the Accessibility Requirements. The requirements in this subsection survive repayment of the Loan and the reconveyance of the Deed of Trust.

Section 3.5 Equal Opportunity.

During the construction of the Improvements there shall be no discrimination on the basis of race, color, creed, religion, age, sex, sexual orientation, marital status, national origin, ancestry, or disability in the hiring, firing, promoting, or demoting of any person engaged in the construction work.

Section 3.6 Progress Reports.

Until such time as Borrower has completed construction of the Improvements, as evidenced by final certificate(s) of occupancy issued by Nevada City, Borrower shall provide the County with quarterly progress reports regarding the status of the construction of the Improvements, including a certification that the actual construction costs to date conform to the Development Budget, as it may be amended from time to time pursuant to Section 3.14.

Section 3.7 Construction Responsibilities.

(a) It shall be the responsibility of Borrower to coordinate and schedule the work to be performed so that commencement and completion of construction will take place in accordance with this Agreement.

(b) Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Development, including (but not limited to) the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the County with reference to the Development is solely for the purpose of determining whether Borrower is properly discharging its obligations to the County, and should not be relied upon by Borrower or by any third parties as a warranty or representation by the County as to the quality of the design or construction of the Improvements and does not relieve Borrower, or its consultants, from any applicable requirement to obtain County approval and/or inspections.

Section 3.8 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or the Improvements or a stop notice affecting the County Loan is served on the County or any other lender or other third party in connection with the Development, then Borrower shall, within twenty (20) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the County a surety bond from a surety acceptable to the County in sufficient form and amount, or provide the County with other assurance satisfactory to the County that the claim of lien or stop notice will be paid or discharged.

(b) If Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the County may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternately, the County may require Borrower to immediately deposit with the County the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The County may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

(c) Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction of the Improvements for a continuous period of thirty (30) days or more, and take all other reasonable steps to forestall the assertion of claims of lien against the Property and/or Improvements. Borrower authorizes the County, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that the County deems necessary or desirable to protect its interest in the Development and Property.

Section 3.9 Inspections.

Borrower shall permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Development by the County, HCD, and by other public authorities during reasonable business hours for the purposes of determining compliance with this Agreement. Such inspections do not relieve Borrower, or its contractors, from any applicable requirement to obtain any other required inspections in connection with the construction of the Improvements.

Section 3.10 Approved Development Budget; Revisions to Budget.

As of the Effective Date, the County has approved the Development Budget set forth in Exhibit B. Borrower shall submit any amendments to the Development Budget to the County for approval within five (5) days of the date Borrower receives information indicating that actual costs of the Development will materially vary from the costs shown on the previously approved Development Budget. Written consent of the County will be required to materially amend the Development Budget.

Section 3.11 Financial Accountings and Post-Completion Audits.

(a) No later than ninety (90) days following completion of construction of the Improvements, Borrower shall provide to the County for its review and approval an unaudited financial accounting of all sources and uses of funds for the Development.

(b) No later than one hundred twenty (120) days after Permanent Conversion, Borrower shall submit an audited financial report showing the sources and uses of all funds utilized for the Development. This requirement may be satisfied by providing the Final Cost Certification to the County. "Final Cost Certification" means the Final Cost Certification Sources and Uses of Funds prepared by Borrower for the Development that (1) Borrower submits to TCAC, and (2) has been prepared using generally accepted accounting standards in effect in the United States of America from time to time, consistently applied.

ARTICLE 4
ONGOING OBLIGATIONS

Section 4.1 Operation of Development as Affordable Housing.

(a) Promptly following the completion of construction of the Improvements, Borrower shall continuously operate and maintain the Development as multifamily housing rented to tenants and at rent levels in conformity with: (i) this Agreement; (ii) the Regulatory Agreement; and (iii) any other regulatory requirements imposed on Borrower and the Property including but not limited to the regulatory agreement associated with the Low Income Housing Tax Credits provided by TCAC.

(b) Borrower shall determine the income eligibility of each tenant household occupying a Unit pursuant to the income certification procedures set forth in the Regulatory Agreement. The maximum household income of a household occupying a Unit, and the total

charges for rent, utilities, and related services to each household occupying a Unit, shall be maintained as provided in the Regulatory Agreement.

Section 4.2 Maintenance and Damage.

(a) Maintenance. During the course of both construction and operation of the Development, Borrower shall maintain the Development and the Property in good repair and in a neat, clean and orderly condition (subject to ordinary construction conditions). If there arises a condition in contravention of this requirement, and if Borrower has not cured such condition within thirty (30) days after receiving a written notice from the County of such a condition, or if a period longer than thirty (30) days is reasonably necessary in the County's discretion to correct the deficiency, then if Borrower has not begun to correct the deficiency within thirty (30) days and has not corrected the deficiency as soon as reasonably possible thereafter, then in addition to any other rights available to the County, the County shall have the right to perform all acts necessary to cure such condition, and to establish or enforce a lien or other encumbrance against the Property.

(b) Damage. Subject to the requirements of senior lenders (if any), and if economically feasible in the County's reasonable judgment after consultation with Borrower, if any improvement now or in the future on the Property is damaged or destroyed, then Borrower shall, at its cost and expense, use commercially reasonable efforts to undertake to repair or restore such improvement consistent with the plans and specifications approved by the County with such changes as have been approved by the County. Such work or repair shall be commenced no later than the later of one hundred twenty (120) days, or such longer period approved by the County in writing, after the damage or loss occurs or thirty (30) days following receipt of the insurance proceeds, and shall be complete within one (1) year thereafter. Any insurance proceeds collected for such damage or destruction shall be applied to the cost of such repairs or restoration and, if such insurance proceeds shall be insufficient for such purpose, then Borrower shall use commercially reasonable efforts to make up the deficiency. If Borrower does not make repairs, then any insurance proceeds collected for such damage or destruction shall be distributed as if such proceeds were Residual Receipts, subject to the rights of the Senior Lenders.

Section 4.3 Operating Budget; Information.

Borrower shall provide the following to the County: (i) by not later than thirty (30) days prior to commencement of each Development Fiscal Year for the Term, the estimated annual budget for the upcoming Development Fiscal Year for the operations of the Development which shall include projected income from all sources, projected expenses, including operating expenses, debt service, and deposits to and withdrawals from reserves (the "Annual Operating Budget"); and (ii) within one hundred twenty (120) days following the end of each Development Fiscal Year, a report showing the actual income and expenditures with respect to the Development for the immediately preceding Development Fiscal Year and the status of all reserves.

Section 4.4 Records.

Borrower shall keep and maintain at the Development, or elsewhere with the County's written consent, full, complete and appropriate books, record and accounts relating to the Development, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail Borrower's compliance with the terms and provisions of this Agreement including but not limited to Borrower's calculation of Residual Receipts. All such books, records, and accounts shall be open to and available for inspection and copying by HCD, the County, its auditors or other authorized representatives at reasonable intervals during normal business hours. Borrower shall permit any duly authorized representative of HCD and/or the County to inspect and copy such records. Copies of all tax returns and other reports that Borrower may be required to furnish to any governmental agency shall at all reasonable times be open for inspection by the County at the place that the books, records and accounts of Borrower are kept. Such records shall include all invoices, receipts, and other documents related to expenditures from the County Loan funds and must be kept accurate and current. Borrower shall maintain complete, accurate, and current records pertaining to the Development for a period of not less than five (5) years after the creation of such records with respect to expenditure of the County Loan funds. If any litigation, claim, negotiation, audit exception, monitoring, inspection or other action relating to the use of the County Loan is pending at the end of the record retention period stated herein, then Borrower shall retain such records until such action and all related issues are resolved.

Section 4.5 Audits.

(a) Each year, Borrower shall provide the County with a copy of Borrower's annual audit, which is to include information on all of Borrower's activities and not just those pertaining to the Development.

(b) In addition, the County may, at any time, upon reasonable notice to Borrower, audit all of Borrower's books, records, and accounts pertaining to the Development including but not limited to the Residual Receipts of the Development. Any such audit is to be conducted during normal business hours at the principal place of business of Borrower and wherever records are kept. Immediately after the completion of an audit, the County shall deliver a copy of the results of the audit to Borrower.

(c) If it is determined as a result of an audit that there has been a deficiency in a loan repayment to the County then such deficiency will become immediately due and payable, with interest at the Default Rate from the date the deficient amount should have been paid. In addition, if the audit determines that Residual Receipts have been understated for any year by the greater of: (i) Five Thousand Dollars (\$5,000); and (ii) an amount that exceeds five percent (5%) of the Residual Receipts, then, in addition to paying the deficiency with interest, Borrower shall pay all of the County's costs and expenses connected with the audit and review of Borrower's accounts and records in which such error was found.

Section 4.6 Hazardous Materials.

(a) Borrower shall keep and maintain the Property (including but not limited to, soil and ground water conditions) in compliance with, and shall not cause or permit the Property to be in violation of, any Hazardous Materials Law. Borrower shall not, and shall not cause or permit the use, generation, manufacture, storage or disposal of on, under, or about the

Property or transportation to or from the Property of any Hazardous Materials except such of the foregoing as may be customarily used in construction or operation of projects like the Development or kept and used in and about residential property of this type.

(b) Borrower shall immediately advise the County in writing if at any time it receives written notice of any Hazardous Materials Claims, and Borrower's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property to be subject to California Health and Safety Code Section 25220 et seq., or any regulation adopted in accordance therewith, or to be otherwise subject to any restrictions on the ownership, occupancy, transferability or use of the Property under any Hazardous Materials Law.

(c) The County has the right to join and participate in, as a party if it so elects, and be represented by counsel of its own choice in, any legal proceedings or actions initiated in connection with any Hazardous Materials Claims and to have its reasonable attorneys' fees in connection therewith paid by Borrower.

(d) Borrower shall indemnify and hold harmless the County and the Indemnified Parties from and against any loss, damage, cost, fine, penalty, judgment, award, settlement, expense or liability, directly or indirectly arising out of or attributable to: (i) any actual or alleged past or present violation of any Hazardous Materials Law; (ii) any Hazardous Materials Claim; (iii) any actual or alleged past or present use, generation, manufacture, storage, release, threatened release, discharge, disposal, transportation, or presence of Hazardous Materials on, under, or about the Property; (iv) any investigation, cleanup, remediation, removal, or restoration work of site conditions of the Property relating to Hazardous Materials (whether on the Property or any other property); and (v) the breach of any representation of warranty by or covenant of Borrower in this Section 4.8, and Section 5.1(l). Such indemnity shall include, without limitation: (i) all consequential damages; (ii) the costs of any required or necessary investigation, repair, cleanup or detoxification of the Property and the preparation and implementation of any closure, remedial or other required plans; and (iii) all reasonable costs and expenses incurred by the County in connection with clauses (i) and (ii), including but not limited to reasonable attorneys' fees and consultant fees. This obligation to indemnify will survive termination of this Agreement and will not be diminished or affected in any respect as a result of any notice, disclosure, knowledge, if any, to or by the County of Hazardous Materials. Borrower's obligations under this section shall not extend to any violation of any Hazardous Materials Law or any Hazardous Materials Claim arising from the fraud, gross negligence or willful misconduct of the County, or arising from circumstances and events which occur after Borrower is no longer the holder of the leasehold interest in the Property.

(e) Without the County's prior written consent, which will not be unreasonably delayed or withheld, Borrower may not take any remedial action in response to the presence of any Hazardous Materials on, under or about the Property, nor enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Material Claims, which remedial action, settlement, consent decree or compromise might, in the County's reasonable judgment, impair the value of the County's security hereunder; provided, however, that the County's prior consent is not necessary in the event that the presence of Hazardous Materials on, under, or about the Property either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is

necessary and it is not reasonably possible to obtain the County's consent before taking such action, provided that in such event Borrower shall notify the County as soon as practicable of any action so taken. The County agrees not to withhold its consent, where such consent is required hereunder, if: (i) a particular remedial action is ordered by a court of competent jurisdiction; (ii) Borrower will or may be subjected to civil or criminal sanctions or penalties if it fails to take a required action; (iii) Borrower establishes to the reasonable satisfaction of the County that there is no reasonable alternative to such remedial action which would result in less impairment of the County's security hereunder, or (iv) the action has been agreed to by the County.

(f) Borrower hereby acknowledges and agrees that: (i) this Section is intended as the County's written request for information (and Borrower's response) concerning the environmental condition of the Property as required by California Code of Civil Procedure Section 726.5; and (ii) each representation and warranty in this Agreement (together with any indemnity obligation applicable to a breach of any such representation and warranty) with respect to the environmental condition of the Property is intended by the Parties to be an "environmental provision" for purposes of California Code of Civil Procedure Section 736.

(g) In the event that any portion of the Property is determined to be "environmentally impaired" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(3)) or to be an "affected parcel" (as that term is defined in California Code of Civil Procedure Section 726.5(e)(1)), then, without otherwise limiting or in any way affecting the County's or the trustee's rights and remedies under the Deed of Trust, the County may elect to exercise its rights under California Code of Civil Procedure Section 726.5(a) to: (i) waive its lien on such environmentally impaired or affected portion of the Property; and (ii) exercise, (1) the rights and remedies of an unsecured creditor, including reduction of its claim against Borrower to judgment, and (2) any other rights and remedies permitted by law. For purposes of determining the County's right to proceed as an unsecured creditor under California Code of Civil Procedure Section 726.5(a), Borrower will be deemed to have willfully permitted or acquiesced in a release or threatened release of Hazardous Materials, within the meaning of California Code of Civil Procedure Section 726.5(d)(1), if the release or threatened release of Hazardous Materials was knowingly or negligently caused or contributed to by any lessee, occupant, or user of any portion of the Property and Borrower had actual knowledge or should have reasonably known of the activity by such lessee, occupant, or user which caused or contributed to the release or threatened release. All costs and expenses, including (but not limited to) reasonable attorneys' fees, incurred by the County in connection with any action commenced under this paragraph, including any action required by California Code of Civil Procedure Section 726.5(b) to determine the degree to which the Property is environmentally impaired, plus interest thereon at the Default Rate, until paid, will be added to the indebtedness secured by the Deed of Trust and is due and payable to the County upon its demand made at any time following the conclusion of such action.

Section 4.7 Fees and Taxes.

Borrower shall be solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Development to the extent owned by Borrower, and shall pay such charges prior to delinquency. However, Borrower shall not be required to pay and discharge any such charge so long as: (a)

the legality thereof is being contested diligently and in good faith and by appropriate proceedings; and (b) if requested by the County, Borrower deposits with the County any funds or other forms of assurance that the County in good faith from time to time determines appropriate to protect the County from the consequences of the contest being unsuccessful.

Section 4.8 Notice of Litigation.

Borrower shall promptly notify the County in writing of any litigation known to Borrower affecting Borrower or the Property, and of any claims or disputes that involve a material risk of litigation (other than routine actions related to tenant evictions).

Section 4.9 Non-Discrimination.

Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of any protected classification under any applicable laws, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Development, nor shall Borrower or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Development.

Section 4.10 Insurance Requirements.

The Borrower shall maintain, throughout the Term, the applicable insurance policies as set forth in Exhibit D. In addition to all other requirements set forth in Exhibit D, the Borrower shall cause such policies to name the Lender as loss payee. The following notice is provided in accordance with the provisions of California Civil Code Section 2955.5: Under California law, no lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

Section 4.11 Transfer.

(a) Definition. For purposes of this Agreement, "Transfer" shall mean any sale, assignment, or transfer, whether voluntary or involuntary, of: (i) any rights and/or duties under this Agreement; and/or (ii) any interest in the Borrower or the Development, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Development is transferred and Borrower retains title. The term "Transfer" shall exclude the leasing of any single Unit in the Development to an occupant in compliance with the Regulatory Agreement.

(b) Prohibited Transfers. Other than the Pre-approved Transfers, no Transfer shall be permitted without the prior written consent of the County, which the County may withhold in its reasonable discretion. The County Loan shall automatically accelerate and be due in full upon any unauthorized Transfer.

(c) Permitted Transfers. A Transfer shall be permitted only after: (i) the County, in its reasonable discretion, has delivered to Borrower its prior written approval of such Transfer; and (ii) the transferee has assumed Borrower's obligations under the Loan Documents by signing an assignment and assumption agreement, in a form prepared by the County, and such other reasonable documentation as the County may reasonably require to evidence such transferee's assumption of Borrower's duties and obligations under the Loan Documents.

(d) Pre-approved Transfers. Notwithstanding the foregoing, the County hereby approves the following:

(1) Future Transfers of the limited partner interest of Borrower provided that: (A) such Transfers do not affect the timing and amount of the Investor Limited Partner capital contributions provided for in, and subject to the terms, conditions, and adjustments of the Partnership Agreement; and (B) in subsequent Transfers prior to the investment of all project equity by the Investor Limited Partner, such Transfer is to a Related Entity Investor Transferee.

(2) Transfer of the Property from the Borrower to: (i) the Managing General Partner, an entity under the Control of the Managing General Partner, or (ii) the General Partner, an entity under the Control of the General Partner (or its member), and an assumption of the County Loan by such transferee at the end of the Fifteen Year Compliance Period, or as otherwise permitted by the Investor Limited Partner, pursuant to an option or right of first refusal agreement as described in the Partnership Agreement, or related documents; provided that: (A) if such transferee is the Managing General Partner or an affiliate of the Managing General Partner, the transferee is exempt from federal income taxation pursuant to Section 501(c)(3) of the Code, (B) the transferee is under the Control of the Managing General Partner, an entity under the Control of the Managing General Partner, the General Partner, an entity under the Control of the General Partner (or its member), and (C) the transferee expressly assumes the obligations of the Borrower under the Loan Documents, utilizing a form of assignment and assumption agreement to be provided by the County, and approved by the transferee.

(3) Transfers of any interest in the Borrower from: (i) the Limited Partner to the General Partner or an affiliate of the Administrative General Partner, or RHA, (ii) the General Partner to any affiliate of the Administrative General Partner, or RHA, and (iii) the Managing General Partner to another corporation that is exempt from federal income taxation pursuant to Section 501(c)(3) of the Code, and that is reasonably acceptable to the County.

(4) In the event the Managing General Partner or the Administrative General Partner is removed by a limited partner of Borrower for cause following default under the Partnership Agreement, the County hereby approves the Transfer of the general partner interest to: (A) a corporation exempt from federal income tax pursuant to Section 501(c)(3) of the Code, or a limited liability company whose member is a corporation exempt from federal income tax under Section 501(c)(3) of the Code, selected by the limited partner and approved by the County, which approval shall not be withheld unreasonably; or (B) the Investor Limited Partner, the Special Limited Partner, or a Related Entity Investor Transferee, but only for a period not to exceed one hundred eighty (180) days during which time such entity shall diligently seek a replacement general partner meeting the requirements of subsection (A) above,

or otherwise acceptable to the Investor Limited Partner, the Special Limited Partner, and the County (such approval not to be unreasonably withheld, delayed, or conditioned).

(5) The grant of the security interests in the Property for Development Financing.

Section 4.12 Covenants Regarding Development Financing and Partnership Agreement.

(a) Borrower shall promptly pay the principal and interest when due on any Development Financing.

(b) Borrower shall promptly notify the County in writing of the existence of any default under or any documents evidencing Development Financing, whether or not a default has been declared by the lender, and any defaults under the Partnership Agreement, and provide the County copies of any notice of default.

(c) Borrower may not materially amend, modify, supplement, cancel or terminate the Partnership Agreement, or any documents related to any loan (excluding any partner loans made pursuant to the Partnership Agreement) that is part of the Development Financing without the prior written consent of the County, except in connection with Pre-approved Transfers pursuant to Section 4.11(d).

(d) Borrower may not incur any indebtedness of any kind other than customary trade debts and Development Financing or encumber the Development with any liens (other than liens for Development Financing approved by the County) without the prior written consent of the County.

(e) In the event that any provisions of the Partnership Agreement conflict with the provisions of this Agreement, including, without limitation, the payment provisions of Section 2.7 above, then the provisions of this Agreement shall control.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1 Representations and Warranties.

Borrower hereby represents and warrants to the County as follows:

(a) Organization. Borrower is a duly organized, validly existing limited partnership and is in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

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

(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of Borrower, and all actions required under Borrower's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken.

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

(e) No Breach of Law or Agreement. To the best of Borrower's knowledge, neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Borrower, or any provision of the organizational documents of Borrower, or will conflict with or constitute a breach of or a default under any agreement to which Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. To the best of Borrower's knowledge, the construction of the Improvements will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency. The use of the Loan, and the development of the Property is consistent with the Borrower's submittal pursuant to the RFP.

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

(h) Title to Land. At the time of recordation of the Deed of Trust, Borrower will have good and marketable fee title to the Property, and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and assessments not yet due and payable, those liens securing Development Financing, and liens in favor of the County or approved in writing by the County.

(i) Financial Statements. The financial statements of Borrower and other financial data and information furnished by Borrower to the County fairly and accurately present the information contained therein. As of the date of this Agreement, there has not been any adverse, material change in the financial condition of Borrower from that shown by such financial statements and other data and information.

(j) Sufficient Funds. Borrower holds sufficient funds and/or binding commitments for sufficient funds to complete the construction of the Improvements.

(k) Taxes. To the best of Borrower's knowledge, Borrower and its subsidiaries have filed all federal and other material tax returns and reports required to be filed, and have paid all federal and other material taxes, assessments, fees and other governmental charges levied or imposed upon them or their income or the Property otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with generally accepted accounting principles. There is no proposed tax assessment against Borrower or any of its subsidiaries that could, if made, be reasonably expected to have a material adverse effect upon the Property, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of Borrower and its partners, taken as a whole, which would be expected to result in a material impairment of the ability of Borrower to perform under any Loan Document to which it is a party, or a material adverse effect upon the legality, validity, binding effect or enforceability against Borrower of any Loan Document.

(l) Hazardous Materials. To the best of Borrower's knowledge, except as disclosed in writing by Borrower to the County prior to the Effective Date: (i) no Hazardous Material has been disposed of, stored on, discharged from, or released to or from, or otherwise now exists in, on, under, or around, the Property except such of the foregoing as may be customarily used in construction of projects like the Development or kept and used in and about residential property of this type, (ii) neither the Property nor Borrower are in violation of any Hazardous Materials Law; and (iii) neither the Property nor Borrower are subject to any existing, pending or threatened Hazardous Materials Claims.

ARTICLE 6 DEFAULT AND REMEDIES

Section 6.1 Events of Default.

Each of the following shall constitute a "Default" by Borrower under this Agreement:

(a) Failure to Satisfy Conditions. Failure to satisfy all conditions precedent to the funding of the Loan by the date set forth in Section 2.6

(b) Failure to Make Payment. Failure to make any payment when such payment is due pursuant to the Loan Documents, and failure to cure within ten (10) days following written demand from the County.

(c) Failure to Construct. Subject to Section 7.15 below, failure of Borrower to obtain permits, commence, and prosecute to completion, construction of the Development within the times set forth in Article 3 above.

(d) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents (other than obligations described in subsections (a) and (b) above), and Borrower fails to cure such default within thirty (30) days after receipt of written notice thereof from the County to Borrower and to the Investor Limited Partner and the Special Limited Partner of such failure; provided, however, that if a longer period or notice requirement is specified under any other section of this Article 6, the specific provisions shall control. If the Investor Limited Partner or the Special Limited Partner cures an event of Default within the cure period set forth in this subsection, the County will accept such action as curing the event of Default as if such cure was performed by Borrower. If the Investor Limited Partner or the Special Limited Partner, if any, is unable to cure an event of Default because Borrower's general partner is in bankruptcy and/or because the cure requires removal of the general partner of Borrower and the Investor Limited Partner or the Special Limited Partner is proceeding diligently to remove the general partner of Borrower in order to effect a cure of the event of Default, the cure period shall be extended for such reasonable time as is necessary for the Investor Limited Partner or the Special Limited Partner to effect a cure of the event of Default, but in no event longer than sixty (60) days after the effective date of such removal.

(e) Default Under Other Loans. A default is declared under any Development Financing by the lender of such Development Financing (subject to the expiration of applicable notice and cure periods).

(f) Insolvency. A court having jurisdiction shall have made or entered any decree or order (i) adjudging Borrower to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower or seeking any arrangement for Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of their properties, (iv) directing the winding up or liquidation of Borrower, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of one-hundred twenty (120) days; or (v) Borrower shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the County, the indebtedness evidenced by the Note.

(g) Assignment; Attachment. Borrower shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within one-hundred twenty (120) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the County, the indebtedness evidenced by the Note.

(h) Suspension; Dissolution. Borrower shall have voluntarily suspended its business or the dissolution of Borrower.

(i) Liens on Property and the Development. There shall be filed any claim of lien (other than liens approved in writing by the County or those being contested in good faith by Borrower) against the Development, the Property, or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the County Loan and the continued maintenance of said claim of lien or notice to withhold for a period of twenty (20) days without discharge or satisfaction thereof or provision therefore (including, without limitation, the posting of bonds) satisfactory to the County.

(j) Condemnation. The condemnation, seizure, or appropriation of all or a substantial part of the Property and the Development, except that condemnation by the County shall cause the County Loan to accelerate but shall not be a Default.

(k) Unauthorized Transfer. Any Transfer other than as permitted by and/or pre-approved by Section 4.11.

(l) Representation or Warranty Incorrect. Any representation or warranty of Borrower contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the County in connection with any of the Loan Documents, proves to have been incorrect in any material and adverse respect when made.

(m) Adverse Financial Condition. A material adverse change in Borrower's financial condition, or an event or condition materially impairing Borrower's ability to repay the County Loan occurs.

(n) Applicability to General Partners. The occurrence of any of the events set forth in subsection (e), subsection (f), or subsection (g) in relation to the Administrative General Partner or the Managing General Partner, provided that the occurrence of the events in subsections (e), (f), or (g) in relation to the Managing General Partner shall not be a Default so long as actions are commenced to replace the Managing General Partner in accordance with the Partnership Agreement, and thereafter promptly completed.

Section 6.2 Remedies.

The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the County or automatically where so specified, relieve the County of any obligation to make or continue the County Loan and shall give the County the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

(a) Acceleration of Note. The County shall have the right to cause all indebtedness of Borrower to the County under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The County may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the County as a creditor and secured party under the law including the Uniform Commercial Code, including

foreclosure under the Deed of Trust. Borrower shall be liable to pay the County on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the County in connection with the collection of the County Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the County Loan.

(b) Specific Performance. The County shall have the right to mandamus or other suit, action or proceeding at law or in equity to require Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts or things which may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Borrower's Expense. The County shall have the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the County Loan. Borrower agrees to reimburse the County for any funds advanced by the County to cure a monetary default by Borrower upon demand therefor, together with interest thereon from the date of expenditure until the date of reimbursement at the Default Rate.

Section 6.3 Right of Contest.

Borrower shall have the right to contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to the County or the rights of the County hereunder.

Section 6.4 Remedies Cumulative.

Subject to the non-recourse provisions contained in this Agreement, no right, power, or remedy given to the County by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the County by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the County to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the County of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

Section 6.5 Survival.

Upon termination of this Agreement those provisions of this Agreement that recite that they survive termination of this Agreement shall remain in effect and be binding upon the Parties notwithstanding such termination.

ARTICLE 7
GENERAL PROVISIONS

Section 7.1 Relationship of Parties.

Nothing contained in this Agreement shall be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the County and Borrower or Borrower's agents, employees or contractors, and Borrower shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regards to the development of the Development, Borrower shall be solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters relating to their employees. Borrower agrees to be solely responsible for its own acts and those of its agents and employees.

Section 7.2 No Claims.

Nothing contained in this Agreement shall create or justify any claim against the County, by any person Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the development of the Development, and Borrower shall include similar requirements in any contracts entered into for the development of the Development.

Section 7.3 Amendments.

Except as otherwise provided in connection with Operating Memoranda executed pursuant to Section 7.16 below, no alteration or variation of the terms of this Agreement shall be valid unless made in writing by the Parties and approved by the Board of Supervisors.

Section 7.4 Entire Understanding of the Parties.

This Agreement, in conjunction with the Loan Documents, constitutes the entire understanding and agreement of the Parties with respect to the County Loan. This Agreement shall not be construed as if it had been prepared by one of the Parties, but rather as if all Parties had prepared it. The Parties to this Agreement have read and reviewed this Agreement and agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this Agreement (including but not limited to Civil Code Section 1654 as may be amended from time to time).

Section 7.5 Indemnification.

Upon demand by the County, Borrower shall indemnify, defend (with counsel reasonably satisfactory to the County), and hold harmless the Indemnified Parties from and against any and

all claims, liens, demands, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, and all costs incurred in connection therewith (including without limitation actual attorneys' fees and costs of experts and consultants) arising from: (i) Borrower's performance or non-performance of its obligations under this Agreement; (ii) Borrower's ownership or operation of the Property; or (iii) the development, construction, marketing, rental and operation of the Development or the relocation of any occupants on the Property, except for claims arising solely from the gross negligence, willful misconduct, illegal acts, or breach of this Agreement by an Indemnified Party. The provisions of this Section shall survive termination of this Agreement and the repayment of the County Loan.

Section 7.6 Non-Liability Officials, Employees and Agents.

The County is entering into this Agreement in its capacity as the administrator of the WNCRHTF. Therefore, no member, official, employee or agent of the County shall be personally liable to Borrower, or any successor in interest, in the event of any default or breach by the County, or for any amount which may become due to Borrower or its successor or on any obligation under the terms of this Agreement.

Section 7.7 No Third Party Beneficiaries.

There shall be no third party beneficiaries to this Agreement.

Section 7.8 Action by the County.

(a) Except as may be otherwise specifically provided herein, whenever any approval, notice, direction, consent, request, extension of time, waiver of condition, termination, or other action by the County is required or permitted under this Agreement, such action may be given, made, or taken by the County Executive Officer without further approval by the Board of Supervisors, and any such action shall be in writing. The amount of the County Loan may not be increased without approval of the Board of Supervisors.

(b) Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. The County Executive Officer is also hereby authorized to approve, on behalf of the County, requests by Borrower for reasonable extensions of time deadlines set forth in this Agreement. The County shall not unreasonably delay in reviewing and approving or disapproving any proposal by Borrower made in connection with this Agreement.

(c) The Borrower acknowledges that the County is entering into this Agreement in its capacity as a lender (and not in a regulatory capacity), and nothing in this Agreement (including any approval by the County Executive Officer in accordance with this Agreement) shall limit, waive, or otherwise impair the authority and discretion of any other office or department of the County acting in its capacity as a governmental regulatory authority with jurisdiction over the development, use, or operation of the Development.

Section 7.9 Waivers.

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

Section 7.10 Notices, Demands and Communications.

(a) Notices. Formal notices, demands, and communications between the County and the Borrower shall be in writing and shall be sufficiently given if and shall not be deemed given unless dispatched by: (i) registered or certified mail, postage prepaid, return receipt requested; (ii) delivered by reputable overnight delivery service; or (iii) delivered by facsimile or by electronic mail, with an additional copy immediately delivered by one of the methods set forth in clause (i) or (ii), to the principal office of the Parties as follows:

County: County of Nevada
Department of Child Support, Collections, Housing and
Community Services
Nevada County Health and Human Services Agency
950 Maidu Avenue
Nevada City, CA 95959
Attention: Mike Dent, Director
Fax: (530) 265-7298
E-mail: Mike.dent@co.nevada.ca.us

with a copy to: County of Nevada
Office of County Counsel
950 Maidu Avenue, Suite 240
Nevada City, CA 95959
Attention: Katharine L. Elliott
Fax: (530) 265-9840
Email: Kit.elliott@co.nevada.ca.us

Borrower: Nevada City Cashin's Field, LP

With a copy to: _____

With a copy to: _____

(b) New Address; Delivery. Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected party may from time to time designate by mail as provided in this Section. Receipt shall be deemed to have occurred on the date shown on a written receipt for delivery or refusal of delivery.

Section 7.11 Applicable Law and Venue.

This Agreement shall be governed by California law. Any action brought claiming a breach of this Agreement or interpreting this Agreement shall be brought and venued in the County.

Section 7.12 Parties Bound.

Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors and assigns. This Agreement is intended to bind Borrower and its successors and assigns in the Property and the Development for the entire Term, and the benefit hereof shall inure to the benefit of the County and its successors and assigns. In accordance with the Standard Agreement, the County may assign this Agreement, and the County Loan, to HCD, without the approval or consent of the Borrower.

Section 7.13 Severability.

If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 7.14 Force Majeure.

In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics or pandemics that result in the declaration of a public health emergency by the County or similar statewide orders (provided that the impact(s) of such public health emergency could not have been reasonably anticipated, and had a material adverse impact on the Party's ability to satisfy its obligation hereunder); quarantine restrictions; freight embargoes; governmental restrictions or priority; litigation (including suits filed by third parties concerning or arising out of this Agreement); weather (provided that such claim is documented by data substantiating that weather conditions were abnormal for the period of time, could not have been reasonably anticipated, and had a material adverse impact on the Party's ability to satisfy its obligation hereunder); inability to secure necessary labor, materials or tools (despite the Borrower's good faith and commercially reasonable efforts to obtain); acts of the other Party; acts or failure to act of any public or governmental agency or entity (other than the acts or failure to act of the County); or any other causes (other than Borrower's inability to obtain financing for the Property) beyond the control or without the fault of the Party claiming an extension of time to perform (collectively, "Force Majeure"). An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within thirty (30) days

from the date the Party seeking the extension first discovered the cause and such extension of time is not rejected in writing by the other Party within thirty (30) days after receipt of the notice. Times of performance under this Agreement may also be extended in writing by the County and the Borrower. Notwithstanding the foregoing, in no event shall: (a) the County be required to agree to cumulative delays in excess of one hundred eighty (180) days; or (b) any delay, regardless of cause, be deemed to waive, limit, or otherwise amend Borrower's obligation to repay the Loan, in accordance with Loan Documents.

Section 7.15 Title of Parts and Sections.

Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of the Agreement's provisions.

Section 7.16 Operating Memoranda.

The Parties acknowledge that the provisions of this Agreement require a close degree of cooperation, and that new information and future events may demonstrate that changes are appropriate with respect to the details of performance of the Parties under this Agreement. The Parties desire, therefore, to retain a certain degree of flexibility with respect to the details of performance of those items covered in general terms under this Agreement. If and when, from time to time during the term of this Agreement, the Parties find that refinements or adjustments regarding details of performance are necessary or appropriate, they may effectuate such refinements or adjustments through a memorandum (individually, an "Operating Memorandum", and collectively, "Operating Memoranda") approved by the Parties which, after execution, shall be attached to this Agreement as addenda and become a part hereof. This Agreement describes some, but not all, of the circumstances in which the preparation and execution of Operating Memoranda may be appropriate.

Operating Memoranda may be executed on the County's behalf by the County Executive Officer. Operating Memoranda shall not require prior notice or hearing, and shall not constitute an amendment to this Agreement. Any substantive or significant modifications to the terms and conditions of performance under this Agreement shall be processed as an amendment of this Agreement in accordance with Section 7.3, and must be approved by the Board of Supervisors.

Section 7.17 Time is of the Essence.

Time is of the essence in this Agreement and the Loan Documents. All references to days in this Agreement are calendar days, unless explicitly referenced as a Business Day. The number of days specified in any provision of this Agreement shall be counted by excluding the first day and including the last day, unless the last day is a not a Business Day, in which case it shall be excluded. Any act required by this Agreement to be performed by a certain day is timely performed if completed before 5:00 p.m. local time on that date. If the day for performance of any obligation under this Agreement is not a Business Day, then the time for performance of that obligation is extended to 5:00 p.m. local time on the first day following that is a Business Day.

Section 7.18 Multiple Originals; Counterpart.

This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts. This Agreement shall become effective when the Parties have duly executed and delivered signature pages of this Agreement to each other. Delivery of this Agreement shall be effectuated by electronic communication (including by PDF sent by electronic mail, facsimile or similar means of electronic communication). Any signatures (including electronic signatures) delivered by electronic communication shall have the same legal effect as physically delivered original signatures.

Remainder of Page Left Intentionally Blank

WHEREFORE, this Agreement has been entered into by the undersigned as of the Effective Date.

BORROWER:

NEVADA CITY CASHIN'S FIELD, LP a California limited partnership

By: Nevada City Cashin's Field, LLC,
a California limited liability company,
its Administrative General Partner

By: Central California Housing Corporation, a
California corporation, its Member/Manager

By: _____
Austin Herzog
President

By: Cashin's Field-BBP, LLC, a California limited liability company, its Managing General Partner

By: Building Better Partnerships, Inc., a
California nonprofit public benefit
corporation, its Sole Member and Manager

By: _____
Gustavo Becerra
President

Signatures continue on following page

COUNTY:

COUNTY OF NEVADA, a political subdivision of the
State of California

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM AND LEGALITY

By: _____
County Counsel

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT B

DEVELOPMENT BUDGET

EXHIBIT C

SUMMARY OF FUNDING SOURCES FOR COUNTY LOAN

\$	135,508	Grass Valley PLHA
\$	78,865	Nevada City PLHA
\$	306,319	Nevada County PLHA
\$	402,316	County GF
\$	787,500	State Match
\$	1,575,000	Total

EXHIBIT D

INSURANCE REQUIREMENTS

For the purposes of this Exhibit, the term "Contractor" shall be deemed to mean the "Borrower".

Insurance. Contractor shall procure and maintain for the duration of the contract insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work hereunder by the Contractor, its agents, representatives, or employees. Coverage shall be at least as broad as:

- i. **Commercial General Liability CGL:** Insurance Services Office Form CG 00 01 covering CGL on an "occurrence" basis, including products and completed operations, property damage, bodily injury and personal & advertising injury with limits no less than \$2,000,000 per occurrence. If a general aggregate limit applies, either the general aggregate limit shall apply separately to this project/location (ISO CG 25 03 or 25 04) or the general aggregate limit shall be twice the required occurrence limit.
- vii. **Automobile Liability** Insurance Services Office Form Number CA 0001 covering, Code 1 (any auto), or if Contractor has no owned autos, Code 8 (hired) and 9 (non-owned), with limit no less than \$1,000,000 per accident for bodily injury and property damage. The Automobile Liability policy shall be endorsed to include Transportation Pollution Liability insurance MCS-90, covering materials to be transported by Contractor pursuant to the contract.
- viii. **Workers' Compensation** insurance as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than \$1,000,000 per accident for bodily injury or disease. **(Not required if contractor provides written verification it has no employees).**
- x. **Professional Liability** (Errors and Omissions) Insurance covering **design and engineering** error and omission with limit no less than \$2,000,000 per occurrence or claim, \$2,000,000 aggregate.

If the Contractor maintains broader coverage and/or higher limits than the minimums shown above, the County requires and shall be entitled to the broader coverage and/or the higher limits maintained by the contractor. Any available insurance proceeds in excess of the specified minimum limits of insurance and coverage shall be available to the County.

Other Insurance Provisions:

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

- i. **Additional Insured Status: The County, the City of Nevada City, the City of Grass Valley, and each of their respective officers, employees, agents, and volunteers are to be covered as additional insureds** on the CGL policy with respect to liability arising out of the work or operations performed by or on behalf of the Contractor including materials, parts, or equipment furnished in connection with such work or operations. General liability coverage can be provided in the form of an endorsement to the Contractor's insurance (at least as broad as ISO Form CG 20 10 11 85 or both CG 20 10, CG 20 25, CG 20 33, or CG 20 38; and CG 20 37 forms if later revisions used.)

- ii. **Primary Coverage** For any claims related to this contract, the **Contractor's insurance shall be primary** insurance primary coverage at least as broad as ISO CG 20 01 04 13 as respects the Indemnified Parties. Any insurance or self-insurance maintained by the County, its officers, employees, agents, and volunteers shall be excess of the Contractor's insurance and shall not contribute with it.
- iii. **Notice of Cancellation** This policy shall not be changed without first giving thirty (30) days prior written notice and ten (10) days prior written notice of cancellation for non-payment of premium to the County of Nevada.
- iv. **Waiver of Subrogation** Contractor hereby grants to County a waiver of any right to subrogation which any insurer or said Contractor may acquire against the County by virtue of the payment of any loss under such insurance. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the County has received a waiver of subrogation endorsement from the insurer.
 - v. **Sole Proprietors** If Contractor is a Sole Proprietor and has no employees, they are not required to have Workers Compensation coverage. Contractor shall sign a statement attesting to this condition, and shall agree they have no rights, entitlements or claim against County for any type of employment benefits or workers' compensation or other programs afforded to County employees.
- vi. **Deductible and Self-Insured Retentions** Deductible and Self-insured retentions must be declared to and approved by the County. The County may require the Contractor to provide proof of ability to pay losses and related investigations, claims administration, and defense expenses within the retention. The Policy language shall provide, or be endorsed to provide, that the self-insured retention may be satisfied by either the named insured or County.
- vii. **Acceptability of Insurers:** Insurance is to be placed with insurers authorized to conduct business in the state with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the County.
- viii. **Claims Made Policies** if any of the required policies provide coverage on a claims-made basis:
 - a. The Retroactive Date must be shown and must be before the date of the contract or the beginning of contract work.
 - b. Insurance must be maintained and evidence of insurance must be provided for at least five (5) years after completion of the contract of work.
 - c. If the coverage is canceled or non-renewed, and not replaced with another **claims-made policy form with a Retroactive Date**, prior to the contract effective date, the Contractor must purchase "extended reporting" coverage for a minimum of **five (5)** years after completion of contract work.
- ix. **Verification of Coverage** Contractor shall furnish the County with original Certificates of Insurance including all required amendatory endorsements (or copies of the applicable policy language effecting coverage required by this clause) and a copy of the

Declarations and Endorsement Page of the CGL policy listing all policy endorsements to County before work begins. However, failure to obtain and provide verification of the required documents prior to the work beginning shall not waive the Contractor's obligation to provide them. The County reserves the right to require complete, certified copies of all required insurance policies, including endorsements required by these specifications, at any time.

- x. **Subcontractors** Contractor shall require and verify that all subcontractors maintain insurance meeting all the requirements stated herein, and Contractor shall ensure that County is an additional insured on insurance required from subcontractors. For CGL coverage subcontractors shall provide coverage with a format at least as broad as CG 20 38 04 13.
- xi. **Special Risks or Circumstances** County reserves the right to modify these requirements, including limits, based on the nature of the risk, prior experience, insurer, coverage, or other special circumstances.
- xii. **Conformity of Coverages** If more than one policy is used to meet the required coverages, such as an umbrella policy or excess policy, such policies shall be following form with all other applicable policies used to meet these minimum requirements. For example, all policies shall be Occurrence Liability policies or all shall be Claims Made Liability policies, if approved by the County as noted above. In no cases shall the types of policies be different.
- xiii. **Premium Payments** The insurance companies shall have no recourse against the COUNTY and funding agencies, its officers and employees or any of them for payment of any premiums or assessments under any policy issued by a mutual insurance company.
- xiv. **Material Breach** Failure of the Contractor to maintain the insurance required by this Contract, or to comply with any of the requirements of this section, shall constitute a material breach of the entire Contract.
- xv. **Certificate Holder** The Certificate Holder on insurance certificates and related documents should read as follows:

County of Nevada
950 Maidu Ave.
Nevada City, CA 95959

Upon initial award of a contract to your firm, you may be instructed to send the actual documents to a County contact person for preliminary compliance review.

Certificates which amend or alter the coverage during the term of the contract, including updated certificates due to policy renewal, should be sent directly to Contract Administrator.