

HOME LOAN AGREEMENT

by and between

COUNTY OF NEVADA

and

**PENN VALLEY PACIFIC ASSOCIATES,
A CALIFORNIA LIMITED PARTNERSHIP**

HOME LOAN AGREEMENT

THIS HOME LOAN AGREEMENT (this “Agreement”) is entered into as of _____, 2020 (“Effective Date”), between County of Nevada, a Political Subdivision of the State of California (“County”), and Penn Valley Pacific Associates, a California Limited Partnership (“Borrower”). Borrower and COUNTY are hereinafter collectively referred to as the “Parties.”

RECITALS

A. There is a great demand for affordable rental homes in Penn Valley, California and Borrower has agreed to restrict at least two units to occupancy by low- and very low-income senior households.

B. County therefore desires to assist in the development of senior rental housing in Penn Valley, California known as the Lone Oak Apartments (collectively, the “Project”).

C. Borrower has agreed to purchase a certain parcel of real property known as Assessor Parcel Number _____ more particularly described in Exhibit A attached hereto (the “Apartment Parcel”) and agrees to construct the housing Project on the Apartment Parcel.

D. Borrower has requested and County has agreed to make a HOME loans to Borrower in a total amount not to exceed \$304,768.00 (the “HOME Loan”). County represents that no portion of the principal of the HOME Loan are derived from proceeds of issuance of tax-exempt bonds.

E. Concurrently herewith, Borrower shall execute: (i) a promissory note in the amount of \$304,768.00 to evidence the HOME Loan (the “HOME Loan Note”), (ii) a Deed of Trust and Security Agreement (“HOME Deed of Trust”) to provide County with a security interest in the Property and the Project (collectively, the “Development”) and (iii) a HOME Regulatory Agreement (the “HOME Regulatory Agreement”). This Agreement, the HOME Loan Note, the HOME Deed of Trust and the HOME Regulatory Agreement are hereinafter collectively referred to as the “Loan Documents.”

F. County has determined that the Loans are necessary to make the Development economically feasible and affordable to low- and very low-income households.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I DEFINITIONS

1.1. “Agreement” means this HOME Loan Agreement.

1.2. “Annual Operating Expenses” means for each calendar year during the term of the Loans, the following costs reasonably and actually incurred for operation and maintenance of the Development to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: all state and local property and other taxes and annual assessments imposed on the Development; premiums for property damage and liability insurance; debt service currently due and payable on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Development) on loans that have been approved by County and which are secured by deeds of trust senior in priority to County’s Deed of Trust (“Approved Senior Loan”); utility services not paid for directly by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial, supplies, and others; any annual license or certificate of occupancy fees required for operation of the Development; general administrative expenses including but not limited to advertising and marketing, security services and systems, and professional fees for legal, audit and accounting; property management fees and reimbursements including on-site manager expenses, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by County; and cash deposited into a reserve for capital replacements of Development Projects and an operating reserve in such reasonable amounts as are approved by County, (i) Asset Management Fee (as that term is defined in the Amended and Restated Agreement of Limited Partnership of Borrower (the “Partnership Agreement”)) paid to the limited partner of Borrower pursuant to the Partnership Agreement, (ii) Partnership Management Fee (as that term is defined in the Partnership Agreement) equal to \$3,100.00 per year paid to the nonprofit Managing General Partner of Borrower and deferred developer fees payable out of Residual Receipts, (iii) Incentive Leasing Fee (as that term is defined in the Partnership Agreement) not to exceed \$75,000.00 payable out of Residual Receipts, and (iv) Incentive Management Fee (as that term is defined in the Partnership Agreement) paid to the Administrative General Partner pursuant to the Partnership Agreement. Annual Operating Expenses shall not include the following: debt service payments on any loan which is not an Approved Senior Loan, including without limitation, unsecured loans or loans secured by deeds of trust which are subordinate to County’s Deed of Trust other than the deferred developer fee loan; depreciation, amortization, depletion or other non-cash expenses; capital expenditures; expenses paid for with disbursements from any reserve account except to the extent such disbursement is accounted as Gross Revenue; any amount paid to Borrower, or any entity controlled by the persons or entities in control of Borrower (unless such payment to Borrower consists of fees paid to a property management agent or resident services agent or is specifically provided for hereinabove including, without limitation, the deferred developer fee).

1.3. “HOME Loan” is defined in Recital D of this Loan Agreement.

1.4. “HOME Loan Note” means the promissory note that will evidence Borrower’s obligation to repay the HOME Loan.

1.5. “Development” means the Property and the Project constructed thereon.

1.6. “Gross Revenue” means for each calendar year during the term of the Loans, all revenue, income, receipts and other consideration actually received by Borrower from operation and leasing of the Development. Gross Revenue includes, but is not limited to: all rents, fees and

charges paid by tenants; Section 8 payments or other rental subsidy payments received for the dwelling units, deposits forfeited by tenants, all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance to the extent not utilized to repair or rebuild the Development; and condemnation awards for a taking of part or all of the Development for a temporary period. Gross Revenue shall also include the fair market value of any goods or services provided in consideration for the leasing or other use of any portion of the Development and the release of funds from replacement and other reserve accounts to Borrower other than for costs associated with the Development. Gross Revenue shall not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

1.7. "Note" means the HOME Loan Note.

1.8. "Parties" means County and Borrower.

1.9. "Project" is defined in Recital B of this Loan Agreement.

1.10. "Property" means the real property located in Penn Valley, California as more particularly described in the attached Exhibits A.

1.11. "Residual Receipts" means for each calendar year during the Term (as defined in the Note), the amount by which Gross Revenue (as defined above) exceeds Annual Operating Expenses for the Development. Residual Receipts shall also include, unless otherwise provided herein and subject to the rights of senior lenders, condemnation awards for a permanent taking of part or all of the Property or the Projects to the extent not utilized to repair or rebuild Development.

1.12. "County Director" means the Director or Executive Director of County or his/her designee.

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

EXHIBIT A: Legal Description of the Apartment Parcel

ARTICLE II

LOAN PROVISIONS

2.1. HOME Loan.

(a) HOME Loan Amount. County agrees to lend to Borrower the amount of \$304,768.00 ("HOME Loan Proceeds"). The HOME Loan shall be evidenced by the HOME Loan Note executed by Borrower.

(b) HOME Loan Interest. Commencing on the date of initial disbursement of all or a portion of HOME Loan Proceeds and continuing through the date that all indebtedness and other amounts payable under this Agreement and the HOME Loan Note are paid in full, the interest on the HOME Loan shall bear interest at a simple rate of three percent (3%) per year.

(c) Term. All unpaid principal, accrued and unpaid interest, and any other amounts payable under this Agreement is due and payable 55 years from the date the Certificate of Occupancy is issued for the Project by the County of Nevada (the "HOME Loan Maturity Date".)

(d) Payment Terms. Borrower shall pay the HOME Loan in accordance with the terms set forth in Section 2.2 of this Agreement.

2.2. Repayment of Loans

(a) Annual Payments. Borrower shall make payments on the outstanding principal and accrued interest on the HOME Loan in amounts equal to County Prorated Share (as defined below) of the Residual Receipts for each Loan. Such annual payments shall be due and payable in arrears no later than May 1st of each year with respect to the previous calendar year, commencing on the May 1st, following conversion from the construction loan to the permanent loan, and shall be accompanied by the Borrower's report of Residual Receipts. The Borrower shall provide County with any documentation reasonably requested by County to substantiate the Borrower's determination of Residual Receipts. Payments made shall be credited first against accrued interest and then against outstanding principal of the HOME Loan. The "County's Prorated Share" means the percentage of Residual Receipts allocated to payment of the respective loan pursuant to the Partnership Agreement.

(b) Payment in Full. All unpaid principal and interest on the HOME Loan shall be due upon the earliest of:

(i) A Transfer (as such term is defined in Section 2.3, below) of the Development other than a Transfer permitted or approved by County as provided in this Agreement;

(ii) The occurrence of an Event of Default for which County exercises its right to cause Loan indebtedness to become immediately due and payable; or

(iii) The HOME Loan Maturity Date for the HOME Loan.

(c) Prepayments. The Loans or any portion of the outstanding principal balance of the Note may be prepaid at any time and from time to time without penalty or premium. Prepayments shall be applied first to any unpaid late charges and other costs or fees then due, then to accrued but unpaid interest and then to principal.

(d) Reports and Accounting of Residual Receipts.

(i) Audited Financial Statement. In connection with the annual repayment of the Loans, within 120 days of Borrower's Fiscal Year end Borrower shall furnish to County an audited statement duly certified by an independent firm of certified public accountants approved by County, setting forth in reasonable detail the computation and amount of Residual Receipts during the preceding Development Fiscal Year.

(ii) Books and Records. Borrower shall keep and maintain on the Property or at another location within County 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 calculation of Residual Receipts Books, records and accounts relating to Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement shall be kept and maintained in accordance with generally accepted accounting principles consistently applied, and shall be consistent with requirements of this Agreement which provide for the calculation of Residual Receipts on a cash basis. All such books, records, and accounts shall be open to and available for inspection by County, its auditors or other authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that Borrower may be required to furnish any governmental County shall at all reasonable times be open for inspection by County at the place that the books, records and accounts of the Borrower are kept. The Borrower shall preserve records on which any statement of Residual Receipts is based for a period of not less than five (5) years after such statement is rendered, and for any period during which there is an audit undertaken pursuant to subsection (c) below then pending.

(e) County Audits.

(i) The receipt by County of any statement pursuant to subsection (a) above or any payment by Borrower shall not bind County as to the correctness of such statement or such payment. Within one (1) year after the receipt of any such statement, County or any designated agent or employee of County at any time shall be entitled to audit the Residual Receipts and all books, records, and accounts pertaining thereto.

(ii) Such audit shall be conducted during normal business hours at the principal place of business of Borrower and other places where records are kept. Immediately after the completion of an audit, County shall deliver a copy of the results of such audit to Borrower. If it shall be determined as a result of such audit that there has been a deficiency in a loan repayment to County, then such deficiency shall become immediately due and payable with interest at the default rate set forth in this Agreement, determined as of and accruing from the date that said payment should have been made. In addition, if Borrower's auditor's statement for any Development Fiscal Year shall be found to have understated Residual Receipts by more than five percent (5%), Borrower shall pay, in addition to the interest charges referenced hereinabove, all of County's reasonable costs and expenses connected with any audit or review of Borrower's accounts and records.

(f) Non-Recourse. Except as provided below, neither Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the HOME Loan or the performance of the covenants of the Borrower under the Deed of Trust and the HOME Loan Note. The sole recourse of County with respect to the principal of, or interest on, the HOME Loan Note and defaults by Borrower in the performance of its covenants under the Deed of Trust shall be to foreclose on the Property described in the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall:

(i) Limit or impair the enforcement against all such security for the Note of all the rights and remedies of County thereunder, or

(ii) Be deemed in any way to impair the right of 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 the Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify County under Sections 4.9 and 5.3 of this Agreement. or liability for:

(A) Fraud or willful misrepresentation;

(B) 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

(C) 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.

2.3. Due on Sale, Refinance or Transfer of Property. Unless County agrees otherwise in writing, the entire unpaid principal balance and all interest and other sums accrued under the Loan Documents shall be due and payable upon the transfer, refinance or sale (each a "Transfer") of all or any part of, or interest in, the Property, except any Transfer after which the Property is subject to deed restrictions requiring the Property to continue to be operated as an affordable rental housing development at least as affordable as described in Recital B, above (an "Affordable Development"), through at least the HOME Loan Maturity Date for the HOME Loan. Moreover, County hereby subordinates to the loan(s), loan documents and security interest(s) in the Property of any lender financing a Transfer which is conditioned upon the Property continuing to be operated as an Affordable Development and hereby agrees to execute any document(s) necessary to perfect such subordination(s) or to satisfy the requirements of any such lender. Notwithstanding the foregoing, following the admission of the limited partner of Borrower, the transfer of a limited partners' limited partnership interest shall not constitute an accelerating Transfer and shall not require the consent of County. Moreover, notwithstanding the foregoing, a limited partner of Borrower shall be permitted to remove and replace a general partner thereof for cause in accordance with the Partnership Agreement without the consent of County.

2.4. Security. As security for repayment of the Note, Borrower shall execute the Deed of Trust pursuant to which Borrower shall provide County a lien against the Property. The Deed of Trust shall be dated as of the Effective Date and shall be recorded in the official records of Nevada County.

2.5. Conditions Precedent to County's Obligation to Disburse. The obligation of County to fund the Loans and disburse the proceeds thereof is conditioned upon the receipt by County of the following:

(a) The executed Loan Documents, acknowledged where appropriate;

(b) A copy of Borrower's enabling operating agreement or enabling documents, certificate of good standing, partnership borrowing resolution and such other evidence satisfactory to County that Borrower is duly formed, validly existing, in good standing under the laws of the State of California, has the power and authority to enter into the Loan Documents, and shall be bound by their terms when executed and delivered;

(c) Borrower's delivery to County of each of the following:

(i) A copy of Borrower's articles of organization;

(ii) Certificate of good standing, certified by the Secretary of State indicating that Borrower is properly organized and authorized to do business in the State of California; and

(iii) Partnership resolution indicating that Borrower has authorized this transaction and that the persons executing the Loan Documents on Borrower's behalf have been duly authorized to do so;

(d) Recordation of the Deed of Trust in the official records of Nevada County;

(e) With respect to the HOME Loan of proceeds from Nevada County, a copy of a certificate of substantial completion issued by the architect for the Project; and

(f) Copies of such other documents related to the acquisition and financing of the Property and the Improvements as County may reasonably request.

2.6. No Obligation to Disburse Proceeds upon Default. Notwithstanding any other provision of this Agreement, County shall have no obligation to disburse any portion of the HOME Loan Proceeds if Borrower's representations and warranties fail to be true and correct in all material respects.

2.7. Use of Funds. Borrower agrees to use the HOME Loan Proceeds solely to finance a portion of the predevelopment, development, and construction costs of the Project. Construction costs will include the cost of all fees necessary for the issuance of building permits, notwithstanding the fact that the Loan proceeds shall be disbursed so that the building permits may be issued prior to the Project's construction loan closing.

2.8. Disbursement of Loan Proceeds. Upon satisfaction of the conditions set forth in Section 2.5 herein, County shall fund the amount of the HOME Loan Proceeds.

ARTICLE III

BORROWER REPRESENTATIONS AND WARRANTIES

3.1. Duly Organized. Borrower warrants that it is duly organized under applicable laws of the State of California, is qualified to do business in the State of California, and is in compliance in all material respects with all laws and regulations necessary to acquire the Property.

3.2. Authority. Borrower warrants that it has authority, and has completed all proceedings and obtained all approvals necessary to execute, deliver, and perform its obligations under the Loan Documents and the transactions contemplated thereby.

3.3. No Contravening Agreements. Borrower warrants that the execution, delivery, and performance of the Loan Documents will not contravene, or constitute a default under or result in a lien upon assets of Borrower pursuant to any applicable law or regulation, any charter document of Borrower, or any instrument binding upon or affecting Borrower, or any contract, agreement, judgment, order, decree, or other instrument binding upon or affecting Borrower.

3.4. Valid and Binding Obligations. Borrower warrants that, when duly executed by Borrower, this Agreement and the Note shall constitute the valid and binding obligations of Borrower enforceable in accordance with their respective terms. Borrower hereby waives any defense to the enforcement of the terms of the Loan Documents related to alleged invalidity of any provisions or conditions contained therein.

3.5. No Adverse Action. Borrower warrants that there is no action, suit or proceeding pending or threatened against it which might adversely affect Borrower in any material respect.

ARTICLE IV

BORROWER COVENANTS

4.1. Use of Proceeds. Borrower agrees to use the HOME Loan Proceeds solely to finance a portion of the predevelopment, development, and construction costs of the Project.

4.2. Punctual Payment. Borrower covenants to punctually pay the principal balance of HOME Loan, and interest accrued thereon, at the times and place and in the manner specified herein and in the Note.

4.3. Taxes and Other Liabilities. Borrower shall pay and discharge when due any and all indebtedness, obligations, assessments, taxes, including federal and state income taxes, property taxes, and special taxes or assessments due to the County of Nevada which are the obligations of Borrower in relation to the Property except those that Borrower may in good faith contest or as to which a bona fide dispute may arise, provided provision is made to the satisfaction of County for eventual payment thereof in the event that it is found that the same is an obligation of Borrower.

4.4. Compliance with Laws. Borrower covenants to comply with all federal, state and local laws, regulations, ordinances and rules applicable to the Property. Without limiting the generality of the foregoing, Borrower shall comply with all applicable requirements of state and local building codes and regulations, and all applicable statutes and regulations relating to accessibility for the disabled.

4.5. Assignment. Borrower shall not cause or permit any voluntary transfer, assignment or conveyance of this Agreement. Any transfer, assignment or conveyance shall be voidable and shall constitute a default under Article 6 of this Agreement.

4.6. Insurance. Borrower covenants to maintain insurance equivalent to a commercial general liability policy in the amount of One Million Dollars (\$1,000,000) combined single limit, including contractual liability coverage. Such insurance shall be written on an occurrence basis and shall name County as loss payee as its interests may appear. Borrower covenants to maintain and keep the Property insured against loss or damage by fire and such other hazards, casualties and contingencies and by such companies on such forms and in the amount of the replacement cost of the Property and any improvements thereon, and shall deliver a copy of all such policies to County, together with receipts satisfactory to County evidencing payment of the premiums. Borrower shall provide County not less than thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to County, shall be delivered to County at least thirty (30) calendar days prior to the expiration of existing policies. Neither Borrower nor County shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses. All insurance proceeds for such losses must be utilized for the repair or restoration of the Property and improvements thereon.

4.7. Accounting Records; Property Inspection. Borrower covenants to maintain accurate books and records in accordance with standard accounting principles consistently applied, and to permit County, during business hours and upon reasonable notice to inspect, audit and examine such books and records with respect to the Project, the Property and the Loan Documents and to inspect the Property and Improvements during normal business hours upon reasonable notice.

4.8. Maintenance. During the term of this Agreement, Borrower shall maintain the Property in good repair and in a neat, clean and orderly condition. If there arises a condition in contravention of this requirement, and if Borrower has not cured such condition within thirty (30) days after receiving an County notice of such a condition (or such additional time as may be necessary provided Borrower has commenced to cure the same within such 30-day period), then in addition to any other rights available to County, County shall have the right to perform all acts necessary to cure such condition.

4.9. Indemnification. Borrower shall indemnify, defend (with counsel reasonably acceptable to County), and hold harmless County and its officials, officers, agents, and employees (collectively the "Indemnitees"), from and against, and shall pay on demand, any and all losses, liabilities, damages, costs, claims, demands, penalties, fines, orders, judgments, injunctive or other relief, expenses and charges (including attorneys' fees and expenses of attorneys) (collectively "Liabilities") arising directly or indirectly in any manner in connection with or as a result of: (a) any breach of Borrower's covenants under the Loan Documents, (b) any failure of Borrower's representations and warranties to be true and correct in all material respects when made, (c) any injury or death to persons or damage to property or other loss occurring on the Property, whether caused by the negligence or any other act or omission of Borrower or any other person or by negligent, faulty, inadequate or defective design, building, construction or maintenance or any other condition or otherwise, or (d) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnatee which relates to or arises out of the Loan, the Loan Documents, or any transaction contemplated thereby, or any

failure of Borrower to comply with all applicable state, federal and local laws and regulations, provided that no Indemnatee shall be entitled to indemnification under this Section for matters caused by such Indemnatee's gross negligence or willful misconduct. The obligations of Borrower under this Section shall survive the expiration or termination of this Agreement.

4.10. Notice to County. Within three business days after any of the following shall occur, Borrower shall provide written notice thereof to County: (1) any change in name, identity, legal structure, business location, or address of Borrower; (2) any uninsured or partially uninsured loss affecting the Property or any improvements thereon through fire, theft, liability, or property damage in excess of an aggregate of Fifty Thousand Dollars (\$50,000); and (3) Borrower's receipt of a notice of default under any mortgage or other financing document affecting the Property or any improvements thereon.

4.11. Lease of Property. Unless County agrees and approves tenants in writing, Borrower shall not convey all or any part of the Property by lease, except in the ordinary course of operating the Development as a residential rental project.

4.12. Expenses of Collection or Enforcement. If at any time Borrower defaults under any provision of the Loan Documents, Borrower shall pay to County in addition to any other sums that may be due to County, an amount equal to the costs and expenses (including without limitation, attorneys' fees and expenses) County incurs in connection with the collection, enforcement, or correction of the default, and such amounts shall be a part of the indebtedness secured by the Deed of Trust.

4.13. Non-Discrimination. Borrower covenants by and for itself, and any successors in interest, that there shall be no discrimination against or segregation of, any person, or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall Borrower itself or any person claiming under or through it establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of Borrower. The foregoing covenants shall run with the land.

Notwithstanding the foregoing, with respect to familial status, nothing herein shall be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code nor shall be construed to affect Section 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to this Section 4.13.

ARTICLE V

ENVIRONMENTAL REQUIREMENTS

5.1. Hazardous Materials. Borrower shall not cause or permit any Hazardous Materials (as defined in below) to be brought upon, kept, stored or used in, on, or about the Property by

Borrower, or the agents, employees, contractors or invitees of Borrower except for materials commonly used in construction activities similar to those related to the Improvements, or in the operation and maintenance of the Property and the Improvements, in each case in compliance with all applicable laws, and shall not cause any release of Hazardous Materials into, onto, under or through the Property. If any Hazardous Material is discharged, released, dumped, or spilled in, on, under, or about the Property and results in any contamination of the Property or adjacent property, or otherwise results in the release or discharge of Hazardous Materials in, on, under or from the Property, Borrower shall promptly take all actions at Borrower's sole expense as are necessary to comply with all Hazardous Materials Laws (as defined below).

5.2. Definitions.

(a) Hazardous Materials. As used in this Agreement, "Hazardous Materials" means any substance, material, or waste which is or becomes regulated by any local, state or federal authority, city or governmental body, including any material or substance which is: (i) defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," or any other terms comparable to the foregoing terms under any provision of California law or federal law as any such statutes and regulations now exist or may hereafter be amended, (ii) petroleum or petroleum products; (iii) asbestos; (iv) polychlorinated biphenyls, (v) radioactive chemicals, (vi) any material determined to be hazardous based on deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity or toxicity, (vii) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317); (viii) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq. (42 U.S.C. §6903); (ix) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601, et seq; or (x) determined by California, federal or local governmental authority to be capable of posing a risk of injury to health, safety or property.

(b) Hazardous Materials Laws. As used in this Agreement, "Hazardous Materials Laws" means all federal, state and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials, including without limitation, the laws, statutes and regulations cited in the preceding Section 5.2(a), as they may be amended from time to time.

5.3. Indemnification. Borrower shall indemnify, defend (with counsel reasonably acceptable to County), and hold the Indemnitees harmless from and against liabilities arising directly or indirectly in any manner in connection with or as a result of the breach of Borrower's covenants set forth in Section 5.1 or the actual or alleged release or presence of any Hazardous Materials on, under, in or about the Property, whether known or unknown, foreseeable or unforeseeable, regardless of the source of such release or when such release occurred or such presence is discovered. The foregoing indemnity includes, without limitation, all costs of investigation, assessment, containment, removal, remediation of any kind, and disposal of such Hazardous Materials, all costs of determining whether the Property is in compliance with Hazardous Materials Laws, all costs associated with bringing the Property into compliance with all applicable Hazardous Materials Laws, and all costs associated with claims for damages or injury to persons, property, or natural resources. The indemnity described in this Section shall survive the expiration or termination of this Agreement, the making and repayment of the Loan,

the release or reconveyance of the Deed of Trust, and any foreclosure proceeding, foreclosure sale or delivery of deed in lieu of foreclosure. Borrower's indemnity obligations under this Section will not extend to claims resulting solely from Indemnites' gross negligence or willful misconduct.

ARTICLE VI

DEFAULT AND REMEDIES

6.1. Events of Default. Each of the following events will constitute an event of default ("Event of Default") under this Agreement:

(a) Failure to Make Payments. If Borrower fails to pay when due the principal and interest payable under the Note and such failure continues for ten (10) calendar days after COUNTY notifies Borrower thereof in writing.

(b) Noncompliance with Loan Documents. Borrower's failure, neglect or refusal to perform any promise, agreement, covenant or obligation contained in the Loan Documents after any applicable cure periods.

(c) Noncompliance with Governmental Requirements. Borrower's failure to timely comply with any governmental requirements, including but not limited to obtaining licenses and permits.

(d) False Representations. If any material representation or disclosure made to COUNTY by Borrower in connection with the Loan Documents proves to be false or misleading in any material adverse respect when made.

(e) Bankruptcy. The filing by or against Borrower of a voluntary or involuntary petition in bankruptcy or the adjudication of Borrower as bankrupt or insolvent, or the filing of any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under present or any future federal bankruptcy act or any other present or future applicable federal, state or other statute or law, or the seeking or consenting to or acquiescing in the appointment of any trustee, receiver, liquidator of Borrower or any substantial part of or all of the property of Borrower, and if any such proceeding is not dismissed within sixty (60) days; Borrower is named in any such proceeding and the same is not dismissed within one hundred twenty (120) days.

(f) Lease. Conveyance of all or a portion of the Property by lease without the prior written consent of County to such conveyance, except in the ordinary course of operating the Development as a residential rental project.

(g) Transfer. The occurrence of a Transfer in violation of Section 2.3 of this Agreement.

(h) Occurrence of an Event of Default in Other Loan Documents. An event of default under any Loan Document, or any other loan agreement and related documents by and between Borrower and County other than the Loan Documents, subject to the expiration of any applicable cure period set forth in such documents.

6.2. Declaring Default. Whenever any Event of Default has occurred COUNTY shall give written notice of default to Borrower, and each limited partner of Borrower at the time of such notice. County agrees to accept cure from any limited partner of Borrower. If the default is not cured by any of the noticed parties within thirty (30) business days after the Date of Default (defined herein), or any extension approved in writing by County, County may enforce its rights and remedies under Section 6.3 below. Any default that has occurred shall be deemed to commence on the date that written notice of default is effective per Section 7.4 of this Agreement (the "Date of Default"). If Default is of a nature that will reasonably take longer to cure than thirty (30) days, Borrower shall have such additional time as may be reasonably necessary to cure any condition that provided Borrower commences to cure within 30 days of notice of default and diligently pursues to cure.

6.3. Remedies. Upon the occurrence of any Event of Default, in addition to its other rights in this Agreement, and the Note, at law, or in equity, County may exercise any one or more of the following rights and remedies:

(a) Accelerate and declare the entire unpaid principal balance of the Note together with all accrued interest thereon, and all other sums owing to County immediately due and payable; and

(b) Proceed at law, or in equity, to require Borrower to perform its obligations and covenants under the Loan Documents; and

(c) Proceed as authorized at law or in equity with respect to the Event of Default, and in connection with that, pursue any and all other remedies available under law to enforce the terms of this Agreement or any other Loan Document.

The remedies provided herein are cumulative and not exclusive of, and shall not prejudice any other remedy provided in any Loan Document.

ARTICLE VII

MISCELLANEOUS

7.1. Relationship of Parties. Nothing contained in this Agreement shall be construed as creating the relationship of employer and employee or principal and agent between County and Borrower or Borrower's agents or employees, and Borrower shall at all times be deemed a borrower and shall be wholly responsible for the manner in which it or its agents, or both, perform under this Agreement.

7.2. No Third Party Claims. Nothing contained in this Agreement shall create or justify any claim against County by any third person whom Borrower may have employed or contracted or may employ or contract relative to the purchase of any material, supplies or equipment, or the furnishing or the performance of any work or services with respect to any programs or projects being undertaken by Borrower.

7.3. Conflict of Interest. Except for approved eligible administrative or personnel costs, no employee, agent, consultant, officer or official of County or Borrower who exercises or has exercised any function or responsibilities with respect to activities assisted by tax increment funds

in whole or in part, or who is in a position to participate in a decision-making process or gain inside information with regard to such activities assisted under this Agreement, may obtain a personal or financial interest in or benefit from the activities assisted under this Agreement, or have an interest, direct or indirect, in any contract, subcontract or agreement with respect thereto, or in the proceeds thereunder either for himself/herself or for those with whom he/she has family or business ties, during his/her tenure and for one year thereafter.

7.4. Notices. Any notice, request or consent required pursuant to this Agreement shall be deemed delivered upon receipt when delivered personally or by facsimile transmission, provided that a transmission report is generated reflecting the accurate transmission thereof, or three (3) business days after being deposited in the U.S. mail, first class postage prepaid, return receipt requested, or one (1) day after deposit with a nationally recognized overnight carrier addressed as follows:

COUNTY: County of Nevada
Housing and Community Services
950 Maidu Ave
Nevada City CA 95959

Borrower: Penn Valley Pacific Associates,
A California Limited Partnership
430 E. State Street, Ste.100
Eagle, ID 83616
Attn: Caleb Roope

With copy to:

RBC Community Investments, LLC
c/o RBC Community Investments, LLC
600 Superior Avenue
Suite 2300
Cleveland, Ohio 44114
Attention: President and General Counsel

with a copy to:

Bocarsly Emden Cowan Esmail & Arndt LLP
633 West Fifth Street, 64th Floor
Los Angeles, California 90071
Attention: Kyle Arndt, Esq.

or to such other addresses as the parties may designate by notice as set forth above.

7.5. Successors and Assigns. All of the terms of this Agreement shall apply to and be binding upon, and inure to the benefit of, the successors and permitted assigns of County and Borrower, respectively, and all persons claiming under or through them.

7.6. Attorneys' Fees. If any action is instituted by any Party to this Agreement to enforce this Agreement, the Loan or the Note, or to collect any sums due hereunder or pursuant to the Loan or the Note, the prevailing Party in such action shall be entitled to recover its costs and reasonable attorneys' fees as awarded by the court in that action.

7.7. Severability. If one or more provisions of this Agreement are found invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions shall not in any way be affected, prejudiced, disturbed or impaired thereby, and all other provisions of this Agreement shall remain in full force and effect.

7.8. Amendments/Entire Agreement. County and Borrower reserve the right to amend this Agreement by mutual consent. It is mutually understood and agreed that no amendment, modification, alteration or variation of the terms of this Agreement shall be valid unless in writing and signed and acknowledged and approved by both parties. This Agreement constitutes the entire agreement of the parties and no oral understandings or agreement not incorporated herein shall be binding on either Party.

7.9. Joint and Several Liability. If Borrower consists of more than one person or entity, each shall be jointly and severally liable to County for the performance of this Agreement.

7.10. Time. Time is of the essence in the performance of the terms and conditions of this Agreement.

7.11. Governing Law. The laws of the State of California shall govern this Agreement.

7.12. Non-Liability of County and County Officials, Employees and Agents. No member, official, employee or agent of County or County shall be personally liable to Borrower, or any successor in interest to Borrower, in the event of any default or breach by County or for any amount which may become due to Borrower or any successor under the terms of this Agreement.

7.13. County's Rights and Consent. No forbearance, failure or delay by County in exercising any right, power or remedy, nor any single or partial exercise by County of any right or remedy hereunder shall preclude the further exercise of such right, power or remedy.

County's consent to any act or omission by Borrower may not be construed as County's consent to any other or subsequent act or omission or as a waiver of the requirement to obtain County's consent in any other instance. All of County's rights, powers and remedies are cumulative and shall continue in full force and effect until specifically waived in writing by County.

7.14. Duration/Survival. This Agreement shall continue in full force and effect until the obligations due under this Agreement and the Note have been paid in full. Notwithstanding the foregoing, the indemnification provisions of Section 4.9 and Section 5.3 of this Agreement shall survive the expiration of this Agreement and the making and repayment of the Loan.

7.15. Assignment or Assumption. This Agreement and the Loan Documents may not be assigned to, or assumed by, a third party. Any attempt to assign or assume the Loan Documents shall be void.

7.16. Headings. The headings within this Agreement are for the purpose of reference only and shall not limit or otherwise affect any of the terms of this Agreement.

7.17. Counterparts, Facsimile Copies. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement. This Agreement shall be effective upon transmission by any Party to the other parties of a fully signed facsimile copy of the Agreement after the formal approval by the governing body of County, so long as a copy of the Agreement signed by the transmitting Party is delivered to the other parties within five (5) business days thereafter. In case of any conflict, the counterpart maintained by County shall be deemed to be determinative.

7.18. Indemnity. All indemnification provision in the Loan Documents in favor of County shall apply only to losses, claims, liabilities and/or damages actually incurred and shall not include any claim or liability resulting from County's gross negligence or willful misconduct.

7.19. Consent Standard. In any approval, consent or other determination by County required under any of the Loan Documents, County shall act reasonably and in good faith.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, COUNTY and Borrower have executed this Agreement as of the date first above written.

COUNTY

County of Nevada,
a Public Body Corporate and Politic

By: _____
Heidi Hall, Chair, Board
of Supervisors

BORROWER:

Penn Valley Pacific Associates, a California
Limited Partnership

By: TPC Idaho Holdings VII, LLC,
its Administrative General Partner

By: _____
Name: Caleb Roope
Title: Manager

By: Lone Oak 1 - 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: _____
Name: Gustavo Becerra
Title: President

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Nevada, State of California, described as follows:

PARCEL ONE:

PARCEL 2, AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 18, 2018 IN [VOL. 21 OF PARCEL MAPS PAGE 55](#) OF NEVADA COUNTY RECORDS.

PARCEL TWO:

AN EASEMENT FOR INGRESS AND EGRESS ACROSS THAT PORTION OF PARCEL 1, AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 18, 2018 IN [VOL. 21 OF PARCEL MAPS PAGE 55](#) OF NEVADA COUNTY RECORDS.

APN: 051-151-066-000 formerly a portion of 051-151-062-000
NEW APN NOT YET ASSESSED

