

CONTRACT SUMMARY SHEET

TO: OFFICE OF THE CITY CLERK
COUNCIL/PUBLIC SERVICES DIVISION
ROOM 395, CITY HALL

DATE: 4/2/13

FROM (DEPARTMENT): The Los Angeles Housing Department

CONTACT PERSON: James W. Bloor PHONE: 213-808-8592

CONTRACT NO.: C-121978 COUNCIL FILE NO.: 11-1920

ADOPTED BY COUNCIL: 3/20/12

DATE

APPROVED BY BPW: N/A

DATE

☒ NEW CONTRACT
☐ AMENDMENT No. _____
☐ ADDENDUM NO. _____
☐ SUPPLEMENTAL NO. _____
☐ CHANGE ORDER NO. _____

CONTRACTOR NAME: New Pershing Apartments, L.P.

TERM OF CONTRACT: 55 years THROUGH: 2068

TOTAL AMOUNT: \$3,500,000

PURPOSE OF CONTRACT:

To provide gap financing for the construction of 69 permanent supportive housing units.

NOTE: CONTRACTS ARE PUBLIC RECORDS – SCANNED AND UPLOADED TO THE INTERNET

LOAN AGREEMENT

THE CITY OF LOS ANGELES, LENDER

(PREDEVELOPMENT, CONSTRUCTION AND PERMANENT LOAN)

Borrower: NEW PERSHING APARTMENTS, L.P.
A California limited partnership

Project: NEW PERSHING APARTMENTS PROJECT

Loan Amount: \$3,500,000

Funding Source: HOME Funds

Los Angeles City Council File Number: 11-1920

Said Agreement is Number _____ Of City Contracts

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**EXHIBIT LIST
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)**

EXHIBIT A	LEGAL DESCRIPTION
EXHIBIT B	DEFINITIONS
EXHIBIT C	CITY NOTE
EXHIBIT D	CITY DEED OF TRUST EXHIBIT A - LEGAL DESCRIPTION
EXHIBIT E	BUDGET AND ELIGIBLE COSTS
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EXHIBIT LIST (CONT.)

EXHIBIT O	SECTION 3
EXHIBIT P	MAYOR'S EXECUTIVE DIRECTIVE NO. 2001-26
EXHIBIT Q	INSURANCE REQUIREMENTS

**LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)
(\$3,500,000)**

This Loan Agreement is dated for reference purposes as of _____, 2013, and is entered into by and between the City of Los Angeles, a municipal corporation ("Lender" or "City"), and New Pershing Apartments, L.P., a California limited partnership ("Borrower").

RECITALS

A. The City wishes to promote the construction of multifamily rental housing within the City of Los Angeles.

B. The City created the 2012 Affordable Housing Trust Fund - Permanent Supportive Housing Program ("AHTF-PSHP"), Los Angeles Council File 11-1920, for the purpose of increasing the supply of permanent supportive housing units for the homeless and chronically homeless adults, families, and transition-age youth in the City of Los Angeles.

C. The funds provided by the AHTF-PSHP are from the Affordable Housing Trust Fund, as contained in Los Angeles Ordinance 173346, adopted on May 23, 2000, Los Angeles Council File 99-1753; chapter title amended by ordinance 174,035, effective July 30, 2001, as Los Angeles Administrative Code Section 5.522; and the Home Investment Partnership Program Funds ("HOME Funds") from the United States Department of Housing and Urban Development ("HUD") pursuant to the Cranston-Gonzales National Housing Act of 1990 for the purpose of expanding the supply of decent, safe, sanitary and affordable housing.

D. Under the AHTF-PSHP, the City issued a loan to the Borrower in the amount of Three Million Five Hundred Thousand Dollars (\$3,500,000) from the City's HOME Funds, loaned to support predevelopment, construction and permanent costs.

E. Borrower shall acquire the real property located at 108 East 5th Street (a.k.a.: 502 South Main Street), Los Angeles, California 90013 (as more particularly described in Exhibit A) (the "Property") for the rehabilitation of an apartment building resulting in sixty nine (69) housing units, of which One Hundred Percent (100%) of sixty seven (67) of the units shall be rented

at prices affordable to 30% Income, 45% Income and 60% Income Households and two (2) manager's units, as defined in this City Loan Agreement for the project ("Project").

F. As a condition of this Loan, Borrower shall execute, among other things, the City Note, the City Deed of Trust and the Regulatory Agreement, in which the City Deed of Trust, and the Regulatory Agreement shall be recorded against the Property. These instruments are intended to secure Lender's continuing interest in the affordability and habitability of the Project, as well as to secure performance of other covenants contained in these agreements.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of this Loan, Borrower and Lender hereby agree as follows:

The definitions of this City Loan Agreement are attached as Exhibit B, Definitions. Exhibit B is hereby incorporated into this City Loan Agreement by this reference.

ARTICLE 1. TERMS OF LOAN

1.1 **CITY BUSINESS TAX REGISTRATION CERTIFICATE.** The Borrower represents that it has obtained and presently holds the Business Tax Registration Certificate(s) required by the City's Business Tax Ordinance (Article 1, Chapter 2, section 21.00 et seq. of the Los Angeles Municipal Code). For the term covered by this Loan Agreement, Borrower shall maintain, or obtain as necessary, all such Certificates required of it under the Business Tax Ordinance and shall not allow any such Business Tax Registration Certificate to be revoked or suspended.

1.2 **LOAN.** Lender agrees to provide a loan of funds to Borrower under the terms and conditions of the Loan Documents.

1.3 **AMOUNT OF LOAN.** On and subject to the terms and conditions of the Loan Documents, Lender agrees to make and Borrower agrees to accept a loan in an amount not to exceed Three Million Five Hundred Thousand Dollars (\$3,500,000), evidenced by a promissory note, (the "City Note"), in this amount and secured by the City Deed of Trust recorded against the Property. The City Note is attached as Exhibit C. The City Deed of Trust is attached as Exhibit D. The terms of Exhibit C and Exhibit D are hereby incorporated into this City Loan Agreement by this

reference. Property is described in Exhibit A, which is hereby incorporated into this City Loan Agreement by this reference.

Upon the date of closing, Escrow Holder shall record the Regulatory Agreement, and City Deed of Trust with the Recorder for the County of Los Angeles, and shall deliver conformed copies of the recorded documents to the Lender and Borrower.

1.4 INTEREST. The City Note shall bear simple interest at the rate of five percent (5%) per annum on the principal amount outstanding from the date of the warrant (Los Angeles City check), until paid. Interest shall be computed based upon a three hundred sixty (360) day year, and a thirty (30) day month.

Notwithstanding the foregoing, and without limiting any other remedy of Lender, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of fifteen percent (15%) per annum ("Late Payment Rate").

1.5 TERM OF LOAN. This Loan Agreement shall commence on the date of execution and remain in full force and effect throughout the term of this Loan.

Unless sooner due pursuant to the City Note, the principal of the Loan and all accrued interest thereon shall be due and payable on the earliest of (a) fifty five (55) years from the date of the execution of the City Note, (b) the date the Property is sold, assigned, transferred, or refinanced without City approval, or (c) an Event of Default by Borrower which has not been cured as provided for in this Loan Agreement.

1.6 NOTICES, DEMANDS AND COMMUNICATIONS. Formal notices, demands and communications between Borrower and Lender shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Borrower and Lender as follows:

LENDER: City of Los Angeles Housing Department
P.O. Box # 532729
Los Angeles, CA 90053-2729
Attention: Portfolio Management

Copy to:
Director of Major Projects Division

BORROWER: New Pershing Apartments, L.P.
 1317 East 7th Street
 Los Angeles, California 90021
 Attention: Executive Director

Copy to investor limited partner:
NEF Assignment Corporation
120 South Riverside Plaza, 15th Floor
Chicago, Illinois 60606
Attention: Sr. Vice President, Asset Management

1.7 SOURCES OF FUNDS AND COMPLIANCE WITH FUNDING REQUIREMENTS. The funds are from the 2012 Affordable Housing Trust Fund - Permanent Supportive Housing Program ("AHTF-PSHP"), Los Angeles Council File 11-1920. The Affordable Housing Trust Fund program is contained in Los Angeles Ordinance 173346, adopted on May 23, 2000, Los Angeles Council File 99-1753; chapter title amended by ordinance 174,035, effective July 30, 2001, as Los Angeles Administrative Code Section 5.522. Borrower must comply with all the requirements imposed on properties assisted under the applicable sources of funds:

- A. HOME Funds program as contained in 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92,
- B. Any other implementing rules and regulations are incorporated by this reference.
- C. In the event of any conflict between this Loan Agreement and the HOME Funds regulations, the HOME Funds regulations shall govern, unless otherwise waived by the City. In the event of any conflict between the sources of funds requirements, the most restrictive requirement shall govern.

1.8 USE OF FUNDS. Borrower shall use and/or show proof that it used Loan proceeds only for the Eligible Costs and in the amount specified in the Budget as well as any revisions to the Budget or Eligible Costs authorized by this Loan Agreement or approved in writing by Lender. The Budget is attached as Exhibit E, which is hereby incorporated into this City Loan Agreement by this reference. The Eligible Costs are specified in Exhibit E, which is hereby incorporated into this City Loan Agreement by this reference. The Method of Financing is specified in Exhibit E, which is hereby incorporated into this City Loan Agreement by this reference.

1.9 **LOAN DISBURSEMENT.** Lender shall not be obligated to disburse any of the Loan proceeds or take any other action under the Loan Documents unless all of the conditions precedent contained in Exhibit G, are satisfied. Exhibit G is hereby incorporated into this City Loan Agreement by this reference.

Prior to any Loan disbursements, Borrower shall submit a fully executed Certification and Disclosure Regarding Lobbying, as required by 24 CFR 87.110, attached as Exhibit H, which is hereby incorporated into this City Loan Agreement by this reference. Borrower shall comply with all provisions of 31 USC §1352 et seq., 29 CFR Part 93, and all City lobbying policies. Borrower shall also submit an executed Certification Regarding Ineligibility, Suspension and Debarment, as required by Executive Order 12549, attached as Exhibit I, which is hereby incorporated into this City Loan Agreement by this reference.

1.10 **LOAN IN BALANCE.** The Loan is "in balance" whenever the amount of the undisbursed Loan funds (exclusive of the contingency amount(s) in the Budget), plus any other funds in the Budget are sufficient in Lender's reasonable judgment to pay all of the following sums: (i) all costs of construction, marketing, ownership, maintenance and sale or leasing of the Land and Improvements; (ii) all moneys owing or owed third party consultants, suppliers, or constructors; and (iii) all interest and sums accruing or payable under the Loan Documents. The Budget refers to the Budget most recently approved by the Lender.

Other funds include funds to be provided by Borrower or any other party as shown in the Budget. The Loan must remain "in balance" through lien-free completion of the Improvements and occupancy of ninety percent (90%) of the restricted units in full compliance with all applicable restrictions.

The Loan is "out of balance" when Lender, in its reasonable judgment, determines the funds (including all undisbursed Loan funds and any sums provided and to be provided by Borrower or any other party) are insufficient to pay for all such costs and sums payable under the Loan Documents. An out of balance Loan is a default under this loan agreement.

- (a) Borrower acknowledges that the Loan may become "out of balance" in numerous and unforeseen ways. Borrower further acknowledges that the Loan may become "out of balance" from a shortage of funds in any single line item or category of the Budget, even if there are undisbursed Loan funds in the other line items or categories. Undisbursed Loan funds in one category or

line item (e.g., insurance costs) may not be applied to another category or line item (e.g., interest reserve) unless the Budget expressly and specifically allows such use or Lender consents to the specific use in writing.

- (b) Whenever the Loan is "out of balance," Lender may make written demand on Borrower to deposit Borrower's own funds into the Escrow Account in an amount sufficient in Lender's reasonable judgment to cause the Loan to be "in balance." Borrower shall deposit, within five (5) business days, all funds required by Lender's demand. Also, if required by Lender, Borrower shall submit, for Lender's approval, a revised Budget within fifteen (15) days after any such demand. Disbursement of funds from the Escrow Account shall be made through the Escrow Holder pursuant to the Lender's instructions based on the Loan being "out of balance".

Unless otherwise shown in the Budget, all funds provided by Borrower, pursuant to Section 1.10(b), must be on deposit with the Escrow Holder ("Escrow Account"). These funds in the Escrow Account shall remain with the Escrow Holder until either of the following occurs: 1) the Lender is satisfied that the City Loan is in balance; or 2) the Notice of Completion is recorded in the Official Records in the Office of the County Recorder of Los Angeles County, State of California. Borrower hereby pledges and grants a security interest to Lender in and to, the Escrow Account and all funds therein. That pledge and security interest shall secure Borrower's performance of the obligations under this Loan Agreement, the City Note and the other Loan Documents. Lender shall have available to it, all rights available to a secured party under the Uniform Commercial Code of the State of California in connection with such security interest. Borrower agrees to execute and deliver to Lender such additional documents as Lender may reasonably require from time to time in order to further evidence or perfect such pledge and security interest. All funds on deposited with the Escrow Holder are herein referred to as "Escrow Funds."

The disbursement procedures described in this Agreement shall apply to the Loan funds and also to any Borrower's funds which may be on deposit in the Escrow Account. Any such Borrower's funds shall be fully disbursed until they are exhausted prior to any Loan funds being disbursed.

1.11 **COLLATERAL.** As collateral for the Loan, the Borrower shall provide the Lender an executed City Deed of Trust in the form attached as Exhibit D giving the Lender a security interest in the Property. The Borrower shall deliver concurrently with the execution of the City Deed of Trust, the original executed City Note in the form attached as Exhibit C, which Lender shall hold until the City Note is paid in full.

Lender shall file a UCC-1 with the California Secretary of State, a copy of which is attached as Exhibit J, giving Lender a security interest in the Improvements, personal property, and Plans and Specifications. Exhibit J is hereby incorporated into this Loan Agreement by this reference

Concurrent with the recordation of the City Deed of Trust and the Regulatory Agreement, the Lender shall cause all previous deeds of trust to be respectively reconveyed. All of the previous promissory notes shall be canceled and returned to the Borrower. All of the previous UCC-1's shall likewise be terminated. The Regulatory Agreement is attached as Exhibit K, which is hereby incorporated into this City Loan Agreement by this reference.

As further security, Borrower agrees to assign and transfer to the City, subject to the rights of prior lien holders, its successors or assigns, all of (1) Borrower's rights in and to the Plans and Specifications, together with all amendments, modifications, supplements, general conditions and addenda thereto relating to the Project, and (2) Borrower's right, title and interest in the agreement between the Borrower and the Architect relating to the development of the Project, in the form attached as Exhibit L, which is hereby incorporated into this Loan Agreement by this reference.

1.12 **PREPAYMENT OF LOAN.** No prepayment penalty will be charged to Borrower for payment of all or any portion of the Loan amount prior to the end of the Loan term described herein, except in the event of a default. However, prepayment of the Loan shall not affect Borrower's obligations under the Regulatory Agreement, all of which shall remain in full force and effect for the entire term of that Regulatory Agreement.

1.13 **REPAYMENT OF LOAN.** On or before each Payment Date, the Borrower shall submit its audited Annual Financial Statements to the City for the preceding fiscal year together with, if any, the City's Share. Failure to do so will result in a default under this Loan Agreement. Once received on a timely basis, the City

shall review and approve such financial statements and share of residual receipts, or request revisions, within ninety (90) days after receipt. In the event that the City determines as the result of its review that there is an understatement in the amount and payment of Residual Receipts due to the City, Borrower shall promptly pay to the City its share of such understatement, but in any event, within thirty (30) days of notice of such understatement. In the event that the City determines that there is an overstatement, the City shall promptly refund the amount to Borrower within thirty (30) days of such determination.

If contested, Borrower is required to pay under protest. Borrower shall have thirty (30) days from notice of obligation to submit, in writing, any contentions to the City. If the City receives contentions in writing, the City will have thirty (30) days upon receipt to respond. If no written contentions are received by the City within the thirty (30) days, Borrower is deemed to concur with the obligation.

1.14 MAINTENANCE OF RECORDS, RIGHT TO INSPECT AND COPY.

- A. The Borrower agrees to keep and maintain books, accounts, reports, files, records (including records pertaining to race, color, creed, sex and national origin of tenants and applicants; and books of original entry, source documents supporting accounting transactions, service records, general ledger, and canceled checks), and other documents relating to the receipt and disbursement of all funds and performance under this Loan Agreement in accordance with this Loan Agreement and any other implementing laws, rules and regulations, including but not limited to the applicable requirements under HOME Funds contained in 24 CFR 92.508 and CDBG Funds contained in 24 CFR 570.490 and 24 CFR 570.493. Borrower shall maintain copies of such books and records in a location that is within twenty five (25) miles of the Site.
- B. At all reasonable times and following reasonable notice to the Borrower, any duly authorized representative of the City or the California State Auditor shall have access to and the right to inspect, copy, audit, and examine all such books, records, accounts, reports, files, and other documents of the Borrower until completion of all close-out procedures and final settlement and conclusion of all issues.

- C. The Borrower shall furnish such statements, records, reports, including litigation reports, data and other information as the City may from time to time reasonably request.
- D. Records, in their original form, shall be maintained in accordance with requirements prescribed by the City with respect to all matters covered on file for all documents specified in this Loan Agreement. Original forms are to be maintained on file for all documents specified in this Loan Agreement. Such records shall be retained for a period of five (5) years after termination of this Agreement and after final disposition of all pending matters. "Pending matters" include, but are not limited to, an audit, litigation or other actions involving records. The City may, at its discretion take possession of, retain and audit said records. Records, in their original form, pertaining to matters covered by this Agreement, shall at all times be retained within the County of Los Angeles unless authorization to remove this is granted in writing by the City.

1.15 AUDITS & INSPECTIONS.

- A. Borrower shall make available for examination at reasonable intervals and during normal business hours to Lender all books, accounts, reports, files, and other papers or property with respect to all matters covered by these Loan Documents, and shall permit Lender to audit, examine, and make excerpts or transcripts from such records. Lender may make audits of any conditions relating to this Loan.
- B. Following reasonable notice to Borrower, at any time during normal business hours and as often as the U.S. Comptroller General, California State Auditor or the City may deem necessary, the Borrower shall make available for examination, all of its records that support all matters covered by this Loan Agreement.
- C. After commencement of drawing the Loan funds the Borrower shall conduct audits or have audits conducted on an annual basis, in accordance with the Single Audit Act, 31 USC Sec. 7501 et. seq.; City Council action dated February 4, 1987, C.F. No. 84-2259-S1 and any administrative regulations or field memos implementing

revisions or updates to the audit requirements. The auditor's reports, prepared in accordance with appropriate Federal Audit Standards, and any accompanying management reports on the operation of the entity or this Loan Agreement, shall be submitted to the City within one hundred twenty (120) days after the close of the Borrower's fiscal year.

1. The audit is to be conducted annually on an organization wide basis to test the fiscal integrity of financial transactions as well as compliance with the terms and conditions of the Federal grant and this Loan Agreement.
2. If this Loan Agreement is terminated sooner than the close of Borrower's fiscal year, either by completion of Borrower's obligations under this Loan Agreement or because of default of either party, the audit shall be immediately conducted and submitted to the City within ninety (90) days after such termination.
3. The Borrower, no later than fifteen (15) days after receipt of the final audit report and within one hundred twenty (120) days after the close of Borrower's fiscal year, shall submit three (3) copies of the report to the Portfolio Management Section of the LAHD.
4. If the auditor's report or management report identifies deficiencies with internal controls, contract compliance, or cost certification, the Borrower shall prepare and submit a corrective action plan along with the auditor's reports. The plan shall address all deficiencies and provide specific details on corrective actions to be taken along with the date the action was or will be implemented. If the cost certification indicates funds were not spent in accordance with the provisions of this Loan Agreement, the Borrower shall immediately reimburse the City for all such costs and this Loan Agreement shall be immediately terminated.

- D. The City, California State Auditor, the U.S. Comptroller General shall have the authority to audit, examine and make excerpts or transcripts from records, including contracts, invoices, participant records and other records supporting this Loan Agreement.
- E. Subject to approval by Lender, Borrower may request the annual review to occur at the same time as the annual review for any other program on the project ("Mass Recertification Date").

1.16 **RESIDUAL RECEIPTS.**

- A. Residual Receipts shall be distributed as follows:
 - 1. City shall receive an amount equal to twelve and thirty six hundredth percent (12.36%) of Residual Receipts of the Project,
 - 2. State of California shall receive an amount equal to twenty three and seventy four hundredth percent (23.74%) of Residual Receipts of the Project,
 - 3. CRA shall receive an amount equal to thirteen and ninety hundredth percent (13.90%) of Residual Receipts of the Project,
 - 4. Borrower shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project.
- B. The City's Share shall be applied first to pay current annual interest due, then the cumulative interest owed, and then to reduce the principal amount of the Loan. Upon payment in full of the Loan, City shall have no further right to payment of any portion of Residual Receipts.
- C. The Loan shall be due and payable immediately if the Project, or any portion thereof or interest therein, is sold, transferred, assigned or refinanced otherwise than in accordance with this Loan Agreement. Leases in accordance with this Loan Agreement shall not be in violation of this Loan Agreement. However, upon City's approval of purchaser, this Loan will be fully assumable by said purchaser.

- D. The term of the Loan shall be fifty five (55) years from the date of the City Note, which repayment date may be extended at the sole discretion of Lender if any portion of the Loan remains unpaid. Unless paid in full earlier, the remaining balance of the Loan shall be due and payable in full at the expiration of the term of the Loan.

1.17 **ANNUAL OPERATING EXPENSES.** The line items for Operating Expenses to be charged to the Project shall be consistent with those that are listed in the Operating Expenses definition of this Loan Agreement. The monthly or annual set asides for the Operating Reserve Fund and the Replacement Reserve Fund shall not be part of Operating Expenses.

1.18 **OPERATING RESERVE FUND.**

- A. Borrower shall establish an interest bearing account (i.e. Treasuries, Government-insured investments, or a combination thereof) designated by the City as a reserve fund to be known as the Operating Reserve Fund for the NEW PERSHING APARTMENTS PROJECT. On or before the close of permanent financing for the project, Borrower shall deposit into the account not less than Three Hundred Fifty Three Thousand Dollars (\$353,000).
- B. Funds shall be invested subject to the prior written approval of the City and any earnings shall become and remain a part of the Operating Reserve Fund. Funds may be withdrawn only when Revenue is insufficient to pay Operating Expenses. The Borrower shall not draw funds from the Operating Reserve Fund without the prior written approval of the City. Any deficit in the reserve at the end of the year due to City approved withdrawals is to be funded in subsequent years from available cash flow to the extent that there are sufficient funds available from Revenue pursuant to the priority listed in Exhibit B, Section **44 Residual Receipts. Borrower shall be under no obligation to fund the Operating Reserve Fund deficit from other sources if funds are not available after the payment of all Operating Expenses.
- C. In the event of a failure by Borrower to pay City's Share to the Lender pursuant to the terms of this Loan Agreement, the Regulatory Agreement, City Note, or City Deed of Trust or if the Borrower defaults under the

City Note, Regulatory Agreement, or City Deed of Trust, pursuant to which event the principal amount of the Loan may be accelerated, the City may, after delivery of notice to Borrower and the expiration of any applicable cure periods, apply the funds in the Operating Reserve Fund to the amount then due under the City Note, or use such funds for the continued operation of the Improvements.

- D. The Operating Reserve Fund was established as a condition to receiving the Loan for the benefit of the Lender and the Borrower.

1.19 REPLACEMENT RESERVE FUND.

- A. On the first Payment Date, Borrower shall establish an interest bearing account (i.e. Treasuries, Government-insured investments, or a combination thereof) designated by the City as a reserve fund to be known as the Replacement Reserve Fund for the NEW PERSHING APARTMENTS PROJECT. On the first Payment Date and annually thereafter on the Payment Date the Borrower shall deposit Forty One Thousand Four Hundred Dollars (\$41,400). Notwithstanding the previous sentence, Borrower shall only be required to fund the Replacement Reserve Fund to the extent that there are sufficient funds available after the payment of all Operating Expenses. Borrower shall be under no obligation to fund the Replacement Reserve Fund from other sources if funds are not available after the payment of all Operating Expenses.
- B. Funds shall be invested subject to the prior written approval of the City and any earnings shall become and remain a part of the Replacement Reserve Fund. Funds may only be drawn to replace or maintain the Improvements or personal property which has been depreciated on the Borrower's Tax Return, filed with the Internal Revenue Service. The Borrower shall not draw funds from the Replacement Reserve Fund without the prior written approval of the City.
- C. In the event of a failure by Borrower to pay City's Share to the Lender pursuant to the terms of this Loan Agreement, the Regulatory Agreement, City Note, City Deed of Trust, or if the Borrower defaults under the City Note, Regulatory Agreement, or City Deed of Trust;

pursuant to which event the principal amount of the Loan may be accelerated, the City may, after delivery of notice to Borrower and the expiration of any applicable cure periods, apply the funds in the Replacement Reserve Fund to the amount then due under the City Note or use such funds for the continued operation of the Improvements.

- D. The Replacement Reserve Fund was established as a condition to receiving the Loan for the benefit of the Lender and the Borrower.

1.20 TRANSITION RESERVE FUND .

- A. Borrower shall establish an interest bearing account (i.e. Treasuries, Government-insured investments, or a combination thereof) designated by the City as a reserve fund to be known as the Transition Reserve Fund for the NEW PERSHING APARTMENTS PROJECT. On or before the close of permanent financing for the project, Borrower shall deposit into the account not less than Two Hundred Thirty Thousand Dollars (\$230,000). On or before April 1, 2017, Borrower shall cause an additional deposit into the account in an amount not less than One Million Six Hundred Eighty Two Thousand Four Hundred Seventy Nine Dollars (\$1,682,479).
- B. Funds shall be invested subject to the prior written approval of the City and any earnings shall become and remain a part of the Transition Reserve Fund. Funds may be withdrawn only in the event the rental assistance contract is reduced or terminated.
- C. The Transition Reserve Fund was established as a condition to receiving the Loan for the benefit of the Lender and the Borrower.

1.21 TITLE AND TITLE INSURANCE. Borrower warrants that it shall obtain and maintain good and marketable title to the Property. As a condition for closing the Loan, Borrower shall obtain an ALTA lender's policy of title insurance naming Lender as the insured with liability not less than the principal amount of the Loan, issued by an insurer satisfactory to Lender, excepting only such defects, liens, encumbrances, and exceptions as are approved by Lender, and containing such endorsements as Lender may reasonably require.

1.22 **RECORDING.** Upon closing date, if applicable, Escrow Holder shall record the Regulatory Agreement, and City Deed of Trust with the Recorder for the County of Los Angeles, and shall deliver conformed copies of the recorded documents to the Lender and Borrower.

1.22 **TRANSFER OF PROPERTY.** During the term of this Loan Agreement, Borrower has not made or created, and shall not make or permit any sale, assignment, conveyance, lease, or other transfer of this Loan Agreement, the Project, or the Property, or any part thereof, including the sale of any general or limited partnership interests, without the prior written consent of Lender. Lender shall give its consent to a sale, transfer, or conveyance provided that all of the following conditions are met: (a) Borrower is in compliance with the Loan Documents, or the sale, transfer, or conveyance will result in the cure of any existing violations of the Loan Documents; (b) the transferee agrees to assume all obligations of Borrower imposed by the Regulatory Agreement and the other Loan Documents and enter into such an agreement ("Assumption Agreement"); (c) the transferee demonstrates to Lender's satisfaction that it is capable of and intends to own and operate the Property in full compliance with the Regulatory Agreement and the other Loan Documents; (d) the terms of the sale, transfer, or conveyance shall not jeopardize Lender's security interest in the Property and is in full compliance with all standards, including eligibility requirements and other conditions imposed by any funding sources for the Project and the Loan; and (e) the transferee is not in default on any other obligations.

1.23 **ENCUMBRANCE OF PROPERTY.** Except as otherwise provided in this Loan Agreement, prior to the completion of the Project as evidenced by the recordation of a Notice of Completion, Borrower shall not engage in any financing or any other transaction creating any security interest or other encumbrance or lien upon the Property, whether by express agreement or operation of law, or allow any encumbrance or lien to be made on or attached to the Property, except with the prior written consent of Lender. Until issuance of the Notice of Completion, Borrower shall notify Lender in writing in advance of any financing secured by any deed of trust, mortgage, or other similar lien instrument that it proposes to enter into with respect to the Project or Property, and of any encumbrance or lien that has been created on or attached to the Property whether by voluntary act of Borrower or otherwise.

A. The following liens and encumbrances, subject to Lender's conditions for subordination of the City Deed of Trust and/or Regulatory Agreement, have been approved by Lender as allowable encumbrances senior in priority to the City Deed of Trust and/or Regulatory Agreement:

1. General ad valorem real property taxes not yet due and payable.
2. Easements, Special Assessments, etc.

B. The Borrower shall provide notice to its other lenders of the Lender's requirements for any subordination of the City Deed of Trust and/or Regulatory Agreement. If Lender is requested to subordinate the City Deed of Trust and/or Regulatory Agreement, any request shall be subject to, but not limited to, the following terms:

1. The subordinated amount, including any additional advances, shall not exceed the amount authorized by the Los Angeles City Council and is subject to LAHD policies and approvals.
2. Upon a default under the senior loan documents, senior lender and Borrower shall provide Lender written notice giving Lender an additional thirty (30) days prior to the senior lender filing a notice of default with the Los Angeles County Recorder's Office.
3. Upon a default under the senior loan documents, senior lender shall give Lender a right to purchase the Property from the Borrower, at any time after the default under the senior loan documents but prior to a foreclosure sale.
4. Upon the purchase of the Property by the Lender, the senior lender shall permit the Lender to assume the Borrower's obligations under the senior loan under the original terms and conditions.
5. There shall be no material modification of the senior loan documents without the prior written consent of Lender, which consent will not be unreasonably withheld or delayed.

6. Senior lender agrees that it will not modify the senior loan so as to: a) increase the principal amount of the loan, b) increase the interest rate, c) decrease the term, or d) permit substitution of the security collateral, without the prior written consent of Lender.

ARTICLE 2. DEVELOPMENT OF PROJECT

2.1 LOCAL, STATE AND FEDERAL LAWS.

- A. The Borrower shall carry out the administration of this Loan Agreement in conformity with all applicable laws, including, but not limited to the following applicable federal and state laws:
 1. Title VIII of the Civil Rights Act of 1968, 42 U.S.C. 3601-20 (Public Law 90-284) and implementing regulations at 24 C.F.R. Part 107.
 2. Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and regulations at 24 C.F.R. Part 107.
 3. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) (Nondiscrimination in Federally Assisted Programs) and regulations at 24 C.F.R. Part 1 and its implementing regulations and as applied through Executive Order No. 13166, entitled "Improving Access to Services for Persons with Limited English Proficiency" ("LEP"), which requires recipients of federal funds, including Borrower, to take reasonable steps to insure meaningful access to its programs and activities by persons with LEP as more fully described in HUD's final guidance contained in Federal Register, Volume 72, No. 13.
 4. Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972, 42 U.S.C. 2000e.
 5. Title IX of the Education Amendments of 1972, as amended (20 USC §1681-§1683, and §1685-§1686).

6. Drug Abuse Office and Treatment Act of 1972, P.L. 92-255, as amended, relating to nondiscrimination on the basis of drug abuse.
7. Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970, P.L. 91-616 as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism.
8. Public Health Service Act of 1912, 42 USC 290 dd-3 and 290 ee-3, as amended, relating to confidentiality of alcohol and drug abuse patient records.
9. Genetic Information Nondiscrimination Act of 2008 (GiNA) P.L. 110-233
10. The Age Discrimination Act of 1975, 42 U.S.C. 6101-07, and regulations at 24 C.F.R. Part 146.
11. Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. 794 and implementing regulations at 24 C.F.R. Part 8 and 9.
12. Architectural Barriers Act of 1968, 42 U.S.C. 4151-4157.
13. Americans With Disabilities Act 42, U.S.C. 12101 et seq., its implementing regulations at 24 CFR part 8, and the Americans with Disabilities Amendments (ADAAA) Pub. L. 110-325 and all subsequent amendments.
14. Fair Housing Act, 42 U.S.C. 3601 et seq ; 24 C.F.R. Parts 100, 103 and 104.
15. Uniform Federal Accessibility Standards (UFAS), 24 C.F.R. Part 40.
16. Lead-Based Paint Poisoning Prevention Act, 42 U.S.C. 4821-4826 and implementing regulations at 24 CFR Part 35.
17. Executive Order 12372 and implementing regulations at 24 CFR Part 52.

18. Flood Disaster Act of 1973, 42 U.S.C. 4001, *et seq.*
19. Wild and Scenic Rivers Act of 1968, 16 U.S.C. 1271, *et seq.*
20. Federal Water Pollution Control Act, 33 U.S.C. 1251 *et seq.*
21. Drug Free Workplace Act of 1988, 41 U.S.C. 701, 28 C.F.R. Part 67; California Drug-Free Workplace Act of 1990, California Government Code Section 8350-8357.
22. Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, 42 U.S.C. 4601, *et seq.* and 24 CFR Part 42.
23. Office of Management and Budget ("OMB") Circulars: OMB Circular A-21 (Cost Principles for Educational Institutions); OMB Circular A-87 (Cost Principles for State, Local, and Indian Tribal Governments); OMB Circular A-110 (Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations); OMB Circular A-122 (Cost Principles for Non-Profit Organizations); OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations).
24. Hatch Act, 5 U.S.C. 1501-1508 and 7324-7328
25. Copeland Act, 40 U.S.C. 276c and 18 U.S.C. 874
26. Contract Work Hours and Safety Standards Act, 40 U.S.C. 327-333.
27. Federal Fair Labor Standards Act, 29 U.S.C. 201
28. Pursuant to California Government Code Section 16645, *et seq.*, none of the funds shall be used to promote or deter Union/Labor organizing activities.

29. California Child Abuse and Neglect Reporting Act, California Penal Code Section 11164 *et seq.* and specifically Sections 11165.7, 11165.9, and 11166.
 30. Section 106 of the National Historic Preservation Act of 1966, as amended, 16 U.S.C. 470, EO 11593, and the Archaeological and Historic Preservation Act of 1974, 16 U.S.C. 469A-1 *et seq.*
 31. Project requirements in 92 C.F.R. Part 92, Subpart F, as applicable in accordance with the type of project assisted under HOME Funds.
 32. The Housing and Community Development Act of 1992, 42 U.S.C. 5301, *et seq.*
 33. Uniform Administrative requirements in 24 C.F.R. Part 84 and as described in OMB Circular A-122.
 34. Community Housing Development Organization requirements in 24 C.F.R. Sections 92.300 and 92.301.
 35. Eligible Community Development Block Grant Program activities under 24 C.F.R. Sections 570.200-570.207.
- B. Borrower must comply with Public Law 103-227, Part C-Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act). This Act requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted by an entity and used routinely or regularly for the provision of health, day care, education or library services to children under the age of 18, if the services are funded by Federal programs either directly or indirectly or through State and local governments. Federal programs include grants, cooperative agreements, loans or loan guarantees and contracts. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds and portions of facilities used for inpatient drug and alcohol treatment. Borrower further agrees that the above language will be included in any subcontracts that contain provisions for children's services and that all subcontractors shall certify compliance accordingly.

- C. Borrower acknowledges that it is aware of liabilities resulting from submitting a false claim for payment by the City under the False Claims Act (Cal. Gov. Code §§12650 et seq.), including treble damages, costs of legal actions to recover payments, and civil penalties of up to \$10,000 per false claims.
- D. The Borrower shall carry out the construction of the Project in conformity with all applicable laws, including all applicable federal and state labor standards. The Borrower shall be responsible for complying with all applicable City, County and State building codes, and planning and zoning requirements, and shall take all necessary steps so that the development of the Property and the construction, use, operation, and maintenance of the Project thereon in accordance with the provisions of this Loan Agreement shall be in conformity with applicable zoning and General Plan requirements, and that all applicable environmental mitigation measures and other requirements shall have been complied with.

2.2 **NONDISCRIMINATION.** Borrower shall not discriminate or segregate in the development, construction, use, enjoyment, occupancy, conveyance, lease, sublease, or rental of any part of the Property on the basis of race, color, ancestry, national origin, religion, sex, sexual orientation, gender identity, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC) acquired or perceived, or any other arbitrary basis. Borrower shall otherwise comply with all applicable local, state, and federal laws concerning discrimination in housing.

2.3 **RELOCATION.** If, and to the extent that development of the Project results in the permanent or temporary displacement of residential tenants, homeowners, or businesses, Borrower shall comply with all applicable local, state and federal statutes and regulations with respect to relocation planning, advisory assistance, and payment of monetary benefits. If applicable, Borrower shall submit to Lender the relocation plan for review and approval. Borrower shall be solely responsible for payment of any relocation benefits to any displaced persons and any other obligations associated with complying with said relocation laws, as applicable, including but not limited to the Uniform Relocation Assistance and Real Properties Acquisition Policies Act of 1970 (URA), 42 U.S.C. 4601-38, as contained in 49 CFR Part

42; Section 104(d) of the Housing and Community Development Act of 1974 as contained in 24 CFR Part 42; HOME Funds relocation requirements as contained in 24 CFR 92.353; and CDBG Funds relocation requirements as contained in 42 U.S.C. 5304(d), 24 CFR 570.606, and 24 CFR 570.457.

2.4 CONSTRUCTION RESPONSIBILITIES. Borrower shall be solely responsible for all aspects of Borrower's conduct in connection with the Project, 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 Lender with reference to the Project is solely for the purpose of determining whether Borrower is properly discharging its obligations to Lender, and should not be relied upon by Borrower or by any third parties as a warranty or representation by Lender as to the quality of the design or construction of the Project.

Borrower shall promptly provide the following information to Lender during the construction period and thereafter, which shall include but not be limited to, information relative to changes in the Project budget as specified in Exhibit E, income, expenses, occupancy, relocation expenses, contracts, and the operations and conditions of the development. Additionally, Borrower shall receive Lender's consent before initiating any and all change orders and changes to the Project budget, to which the consent of the conventional lender is required.

2.5 ENVIRONMENTAL ASSESSMENT REPORT. To the extent that environmental review under the California Environmental Quality Act (CEQA), Public Resources Code Section 2100 et seq., is required with respect to activities under this Loan Agreement, the City shall review such report or document. The Borrower shall provide all information, assistance, and cooperation necessary to prepare such report or document. The Borrower warrants that it has not and shall not take any action which might have a material adverse environmental effect, limit the choices among competing environmental alternatives, or alter environmental premises upon which the City's environmental findings are based. The Borrower agrees not to undertake any activity having a potential adverse environmental effect until such time as the City has advised the Borrower that it has completed an environmental assessment of the Project in accordance with the National Environmental Protection Act, provided the project involves federal funds.

2.6 PLANS AND SPECIFICATIONS. Borrower shall develop the Project in accordance with the Plans and Specifications. Pursuant to Exhibit M, the Schedule of Performance, Borrower shall submit to Lender for its review and approval the final Plans and Specifications for development of the Project. Exhibit M is hereby incorporated into this Loan Agreement by reference. Borrower shall develop the Project in substantial conformance with the Plans and Specifications and any modifications thereto approved by Lender. Modifications involving a change in the number of units, affordability, unit mix and/or unit size does not constitute substantial conformance with the Plans and Specifications. Any such modification would result in a default under this Loan Agreement unless approved by Lender.

Pursuant to Section 1.11 Collateral, as additional security, Borrower shall execute the Assignment of Architect's Contract and Plans and Specifications and Permits in the form attached to this Agreement as Exhibit L.

2.7 WORK WRITE-UP. If applicable, before commencement of construction, Borrower shall submit to Lender for its review and approval the final Work Write-Up for rehabilitation of the Improvements. Borrower shall develop the Improvements in full conformance with the Work Write-up and any modifications thereto approved by Lender.

2.8 CONTRACTS AND SUBCONTRACTS. All construction work and professional services for the Project shall be performed by persons or entities licensed or otherwise authorized to perform the applicable construction work or service in the State of California. Borrower shall have a current City of Los Angeles Business License.

Unless otherwise approved by Lender, to ensure that all costs incurred are reasonable and appropriate, all contracts entered into for construction shall be the result of competitive bids pursuant to Final Plans and Specifications.

All costs incurred in the construction and operation of the Project shall be the responsibility and obligation solely of Borrower.

2.9 PREVAILING WAGES. The Borrower shall and shall cause the contractor and subcontractors to pay prevailing wages in the construction of the Improvements as those wages are determined pursuant to Labor Code Sections 1770-1781 and implementing

regulations of the Department of Industrial Relations and comply with the other applicable provisions of Labor Code Sections 1720 et seq and implementing regulations of the Department of Industrial Relations, if applicable. The Borrower shall and shall cause the contractor and subcontractors to keep and retain such records as are necessary to determine if such prevailing wages have been paid as required pursuant to Labor Code Sections 1770-1781. Copies of the currently applicable current per diem prevailing wages are available from the City of Los Angeles Housing Department, 1200 W. 7th Street, 8th Floor, Los Angeles, California 90017. During the construction of the Improvements, Borrower shall or shall cause the contractor to post at the Property the applicable prevailing rates of per diem wages. Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City 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. and implementing regulation or comply with the other applicable provisions of Labor Code Sections 1720 et seq. and implementing regulations of the Department of Industrial Relations in connection with construction of the Improvements or any other work undertaken or in connection with the Property.

The Borrower shall and shall cause the contractors and subcontractors to submit data and documents related to Prevailing Wage by using the LCP Tracker or comparable LAHD-approved program.

2.10 DAVIS-BACON ACT. Borrower shall and shall cause the contractor and subcontractors to comply with the requirements of the Davis-Bacon Act pursuant to 40 U.S.C.S. 3141-3148 and implementing regulations, if applicable. All workers performing construction work for the Project employed by Borrower or by any contractor or subcontractor shall be compensated in an amount no less than the wage rate determined by the U.S. Labor Department pursuant to the federal Davis-Bacon Act and implementing rules and regulations. Borrower shall comply with all reporting and recordkeeping requirements of the applicable statutes and regulations. During the construction of the Improvements, Borrower shall or shall cause the contractor to post at the Property the applicable prevailing rates of per diem wages. Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the City) the City 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 40 U.S.C.S. 2141-3148 and implementing regulations or comply with the other applicable provisions of 40 U.S.C.S. 2141-3148 and implementing regulations in connection with construction of the Improvements or any other work undertaken or in connection with the Property.

The Borrower shall and shall cause the contractors and subcontractors to submit data and documents related to Davis Bacon by using the LCP Tracker or comparable LAHD-approved program.

2.11 CONSTRUCTION BONDS. Borrower shall require its contractor to procure and deliver to Lender copies of labor and material (payment) bonds and performance bonds, or a dual bond which covers both payment and performance obligations, with respect to the construction of the Project as follows:

- A. If the cost of construction is under One Hundred Thousand Dollars (\$100,000), the bonding requirement is at the election of the City.
If the City determines that bonding is required, Borrower shall procure a performance bond in a penal sum of not less than one hundred percent (100%) of the scheduled cost of construction, and a payment bond in a penal sum of not less than one hundred percent (100%).
In lieu of said bonds, Borrower may obtain a twenty five percent (25%) irrevocable letter of credit, in the sole name and possession of Lender in a form and substance acceptable to Lender; or a cash bond (certificate of deposit) equal to twenty percent (20%) of the construction contract amount, in the sole name and possession of Lender in a form and substance acceptable to Lender.
- B. If the cost of construction is equal to or greater than One Hundred Thousand Dollars (\$100,000), Borrower shall procure a performance bond in a penal sum of not less than one hundred percent (100%) of the scheduled cost of construction, and a payment bond in a penal sum of not less than one hundred percent (100%). In lieu of said bonds, Borrower may obtain a twenty five percent (25%) irrevocable letter of credit, in the name of Borrower and Lender and in possession of Lender in a form and substance acceptable to Lender; or a cash bond (certificate of deposit) equal to twenty percent (20%) of the construction contract amount, in the sole name

and possession of Lender in a form and substance acceptable to Lender.

Said bonds should be issued by an insurance company which is licensed to do business in California and has a rating equivalent to AAA or AA+ by Standard and Poor's or Moody's. The labor and materials (payment) bond should name Lender as a co-obligee or assignee.

2.12 CITY AND OTHER GOVERNMENTAL AGENCY PERMITS.

- A. Before commencement of any work on the Project, the Borrower shall secure or shall cause to be secured, and at all times maintain, any and all permits, licenses, approvals and reviews which may be required by the City or any other governmental agency for the Borrower's performance hereunder. The Borrower shall pay such fees as may be required in connection therewith. The Borrower shall immediately notify the City of any suspension, termination, lapses, non-renewals or restrictions of licenses, certificates, or other documents.
- B. The Project shall be developed in accordance with applicable State and Local building codes or, in the absence of such codes, in accordance with a nationally recognized model building code.

2.13 COMMENCEMENT OF CONSTRUCTION. Borrower shall begin construction of the Project in accordance with Exhibit M, the Schedule of Performance. Borrower shall not commence construction until Lender has authorized the issuance of a written notice to proceed and the written notice to proceed has been issued. Lender shall authorize the issuance of a notice to proceed when all construction requirements have been met, including, but not limited to the submission and approval of the following:

- A. All design documents, including final plans and specifications, scope of work and/or a physical needs assessment.
- B. All of the necessary permits and licenses required to begin the development of the Project.

- C. All environmental documents, including but not limited to lead base paint and asbestos reports, soils reports, Phase I reports, and termite reports, if applicable.
- D. Environmental clearance from HUD approving the use of the City's funds for the development of the Project.
- E. The construction contract(s) shall be awarded through a bidding process approved by LAHD's construction services unit. Borrower shall have completed and delivered a bid package, obtained by the City's Construction Services Unit. However, if at the time of application for funds under the AHTF-PSHP, the general contractor had been selected and identified as a member of the development team, the developer/general contractor must provide a minimum of three (3) sub-bids of each major trade including but not limited to site work, concrete, carpentry, drywall, plaster, mechanical, electrical and plumbing.
- F. A final executed construction contract satisfactory to Lender as listed in Exhibit M, the Schedule of Performance.
- G. Borrower has delivered a construction schedule satisfactory to Lender.
- H. All bonds and insurance requirements required to begin the development of the Project.
- I. Copies of a valid and current city business license for the prime contractor and sub-contractors.
- J. All required documentation regarding affirmative action, equal employment and minority/women's business enterprises as required in Article 4 of this Loan Agreement.
- K. A list of the prime contractor and all sub-contractors.
- L. Borrower shall have submitted for Lender's review and approval the final development cost budget, as specified in Exhibit F of this Loan Agreement. This budget shall be approved by all lenders. The total development costs, developer fee and contractor's overhead and profit shall not differ by more than 10%

from the amount in the Borrower's application for financing without prior LAHD approval.

2.14 LEAD-BASED PAINT AND ASBESTOS REMOVAL. Borrower and its contractors and subcontractors shall remove, encapsulate, or enclose lead and asbestos hazardous materials as provided for by Federal Regulations 24 C.F.R., 29 C.F.R., 40 C.F.R., Title X, California O.S.H.A., California health codes, and all city standards; and shall not use lead-based paint and asbestos in its rehabilitated or reconstructed units and shall not use lead-based paint or asbestos in the construction or maintenance of the Property. Borrower shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Property which involve the application of paint or removal of asbestos.

A. Any owner of a pre-1978 building who receives LAHD assistance for demolition and/or rehabilitation will be given a list of trained, certified lead-based paint and asbestos contractors from which to select a firm for assessment of the hazardous materials in the building.

B. A qualified contractor certified by the State of California and properly licensed will be hired to do the assessment. If lead-based paint and/or asbestos is found, the contractor will prepare an abatement plan. Said plan, upon review and approval, shall be implemented. The hazardous material testing process, test results and the abatement plan will be monitored and enforced through LAHD inspection during the course of work. The actual rehabilitation activity (Improvements) regarding hazardous materials may only be done by State of California certified supervisors and workers. All such work must be completed, required documentation provided, and pass clearance testing before any progress payments can be released.

2.15 BARRIERS TO THE DISABLED. The Project shall be developed and the Property shall be maintained to comply with all applicable federal, state, and local requirements for access for disabled persons.

2.16 INSPECTIONS. Borrower shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the job site by Lender and by public authorities during reasonable business hours for the purposes of determining compliance with this Loan Agreement.

2.17 ADDITIONS OR CHANGES IN WORK. Lender must be notified in a timely manner of any changes in the work required to be performed under this Loan Agreement, including any additions, changes, or deletions to the approved Plans and Specifications. A written change order authorized by Lender must be obtained before any changes, additions, or deletions in work for the Project are performed. Consent to any additions, changes, or deletions to the work shall not relieve or release Borrower from any other obligations in the Loan Documents, or relieve or release Borrower or its surety from any surety bond.

2.18 MECHANICS LIENS AND STOP NOTICES. If any claim of lien is filed against the Property or a stop notice affecting the Loan is served on Lender or any other lender or other third party in connection with the Project, Borrower shall, within twenty five (25) days of 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 Lender a surety bond in sufficient form and amount, or provide Lender with other assurance reasonably satisfactory to Lender that the claim of lien or stop notice will be paid or discharged.

If Borrower fails to discharge any lien, encumbrance, charge, or claim referred to herein, then in addition to any other right or remedy, Lender may, but shall be under no obligation to, discharge such lien, encumbrance, charge, or claim at Borrower's expense. Alternatively, Lender may require Borrower to immediately deposit with Lender, or title company, the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. Lender may use such deposit to satisfy any claim or lien that is adversely determined against Borrower.

Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction on the Project 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. Borrower authorizes Lender, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interest in the Project and Property.

2.19 COMPLETION OF CONSTRUCTION AND IN-SERVICE DATE. Following commencement of construction, Borrower shall diligently perform construction of the Project to completion as evidenced by the recording of the Notice of Completion.

Borrower shall submit within sixty (60) days after issuance of the Certificate of Occupancy, a certified statement, setting forth a complete breakdown of the development costs with supporting documents.

2.20 SCHEDULING AND EXTENSIONS OF TIME. Borrower shall coordinate and schedule the work to be performed according to the Schedule of Performance, attached as Exhibit M, so that commencement and completion of construction will take place in accordance with the provisions of this Loan Agreement. Lender may extend the time for completion in writing in its sole and absolute discretion. Any time extension granted to Borrower to enable Borrower to complete the work shall not constitute a waiver of any other rights Lender has under the Loan Documents.

2.21 EXCUSABLE DELAYS. In the event that performance on the part of any party hereto is delayed or suspended as a result of circumstances beyond the reasonable control and without the fault and negligence of said party, none of the parties shall incur any liability to the other parties as a result of such delay or suspension. Circumstances deemed to be beyond the control of the parties hereunder include, but are not limited to, acts of God or of the public enemy; insurrection; acts of the Federal Government or any unit of State or Local Government in either sovereign or contractual capacity; fires; floods; earthquakes; epidemics; quarantine restrictions; strikes; freight embargoes or delays in transportation, to the extent that they are not caused by the party's willful or negligent acts or omissions, and to the extent that they are beyond the party's reasonable control.

The time for performance of provisions of this Loan Agreement by either party shall be extended for a period equal to the period of any delay directly affecting the Project or this Loan Agreement which is caused by circumstances deemed to be beyond the control of the parties as defined in the previous paragraph. An extension of time for any of the above specified circumstances will be deemed granted only if written notice by the party claiming such extension is sent to the other party within ten (10) calendar days from the commencement of the cause, and such extension of time is either accepted by the other party in writing, or is not rejected in writing by the other party within ten (10) calendar days of receipt of the notice. In any event, construction of the Project must be completed no later than ninety (90) calendar days after the scheduled completion date specified herein, any excusable delay notwithstanding. Times of performance under this Loan Agreement may also be extended for any cause and for any period of time by the mutual written agreement of Lender and Borrower.

2.22 NOTICE OF COMPLETION. Upon completion of development of the Project or any phase of development of the Project, Borrower shall submit a certification from the architect for the Project stating that the Improvements to the Property have been made in substantial accordance with the Plans and Specifications and/or work write-up, and the terms of the Loan Documents including but not limited to certification that the Improvements to the Property comply with all conditions imposed by the Americans with Disabilities Act, 42 USC §12101 et seq., and its implementing regulations (ADA), the Americans with Disabilities Act Amendments Act of 2008, Pub. L. 110-325 (ADAAA) and all subsequent amendments, Section 504 of the Rehabilitation Act of 1973, as amended, 29 USC 794 and 24 CFR Parts 8 and 9 (Rehab Act), the Uniform Federal Accessibility Standards (UFAS), 24 CFR, Part 40, and the Fair Housing Act, 42 U.S.C. 3601, et seq; 24 CFR Parts 100, 103, and 104 (FHA) and all implementing regulations. Borrower shall furnish Lender a copy of the Notice of Completion for the full Project or a phase of the project, as the case may be, no later than ten (10) days after recordation with the County of Los Angeles, upon the occurrence of any of the following, (1) final approval on all City and other governmental permits; (2) a determination by Lender that Borrower has completed the Project in substantial conformance with industry standards and the Plans and Specifications and/or work write-up; (3) completion of a cost certification reviewed and approved by an independent Certified Public Accountant ("CPA"); and (4) a determination by Lender that Borrower has satisfied all of Borrower's development obligations under this Loan Agreement. The Notice of Completion shall be in a recordable form acceptable to Lender. If Borrower fails to provide the Notice of Completion within the specified time, it shall provide Lender with a written statement indicating in what respects Borrower has failed to complete the construction of the Project in conformance with this Loan Agreement or is otherwise in violation of the terms of the Loan Documents, and what measures Borrower will need to take or what standards it will need to meet in order to obtain the Notice of Completion. If and when Borrower has taken the specified measures or met the specified standards, and is not otherwise in violation under the Loan Documents, Borrower shall deliver the Notice of Completion to Lender.

2.23 QUALITY OF WORK. Borrower shall construct the Project in conformance with the City's construction standards and shall employ building materials of a quality suitable for the requirements of the Project. Borrower shall develop the Project in full conformance with applicable local, state, and federal statutes, regulations, and building and housing codes.

2.24 **RECORDS.** Borrower shall be accountable to Lender for all funds disbursed to Borrower pursuant to the Loan Documents. Borrower agrees to maintain records that accurately and fully show the date, amount, purpose, and payee of all expenditures drawn from Loan funds, and to keep all invoices, receipts, and other documents related to expenditures from said Loan funds for not less than three (3) years after completion of the Project as evidenced by the recording of a Notice of Completion. Records must be kept accurate and current. Lender shall notify Borrower of any records it deems insufficient. Borrower shall have fifteen (15) calendar days from the date of said notice to correct any deficiency in the records specified by Lender in said notice, or, if more than fifteen (15) days shall be reasonably necessary to correct the deficiency, Borrower shall begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

Borrower shall promptly comply with all requirements or conditions of the Loan Documents relating to notices, extensions, and other events required to be reported or requested. Borrower shall promptly supply, upon the request of Lender, any and all information and documentation which involves the Project and cooperate with Lender in the development of the Project.

ARTICLE 3. PROJECT OPERATION

3.1 **FEES, TAXES, AND OTHER LEVIES.** Borrower shall be 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 Project, 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 Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful.

3.2 **OBLIGATION TO REFRAIN FROM DISCRIMINATION.** There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired

immune deficiency (AIDS), acquired or perceived, familial status and handicap, pregnancy, childbirth or related medical condition, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project, or any part therefor, nor shall the Borrower or any person claiming under or through, 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, licenses or vendees of the Project.

3.3 **MANAGEMENT OF PROJECT.** Borrower and Borrower's agents shall lease, operate and manage the Project after completion in full conformance with the terms of the Regulatory Agreement and the following:

- A. The City shall have the right to review, modify and approve Borrower's Management Plan for the development and compliance with the restrictive covenants of this Loan Agreement and Regulatory Agreement.
- B. At all reasonable times and following reasonable notice to the Borrower, the City shall have the right to review the performance of Borrower's management of the Project, including but not limited to the implementation of the Social Service Plan.
- C. Except where a delegation of duties is specifically permitted by this Loan Agreement, Borrower shall not delegate any or all of its management duties on the Project without the prior written approval of the City, which approval shall not be unreasonably withheld.
- D. If Borrower is permitted to delegate its management duties, Borrower shall be responsible to:
 - 1. Immediately submit information regarding any change in the structure of the management company that was approved by the City;
 - 2. Annually submit financial statements (such as K1 forms) of the management company to the City;
 - 3. Maintain annual compliance with this Loan Agreement; and
 - 4. Upon request by City, immediately produce current tenant information for compliance with Exhibit N,

which is hereby incorporated into this City Loan Agreement by this reference.

- E. Any authorized delegation of management duties for the Project, shall not be deemed to relieve the Borrower from any obligations under this Loan Agreement or Regulatory Agreement.

3.4 OPERATION OF PROJECT. Borrower and Borrower's agents shall lease, operate and manage the Project after completion in full conformance with the terms of the Regulatory Agreement.

Borrower shall agree to: (1) maintain and operate the Assisted Units so as to provide decent, safe, and sanitary housing; and (2) provide the Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to the other dwelling units on the Project. Amenities that are provided to non-assisted unit households include, but are not limited to, access to recreational facilities, parking, cable TV, and interior amenities. Optional services provided must be available to all residents under the same terms and conditions. All incentives such as rent specials must be offered to all new residents, not only residents of non-assisted units.

Borrower shall agree to maintain and operate the project in conformance with the Social Service Plan submitted to and approved by the City. Any modifications of the Social Service Plan for the Project must be approved by the City.

Borrower agrees that during the term of the Regulatory Agreement, LAHD shall have the right to review, approve and request changes to the Property Management Plan, Social Service Plan, operation of the building and Property management entity, in order to preserve the affordability, physical appearance and condition of the Project.

3.5 DESIGNATED ASSISTED UNITS. The designated Assisted Units on the Project shall meet the following standards:

- A. Generally reflect the average number of bedrooms per dwelling unit and average square footage of non-assisted units on the Project;
- B. Be similarly constructed and of comparable quality to all other units on the Project;

- C. Be dispersed throughout the Project; and
- D. Provide tenants access and enjoyment of all common areas and facilities of the Project on the same basis as tenants of other units.

3.6 **TENANT SELECTION.** Before leasing the Project, Borrower shall provide Lender for its review and approval Borrower's written tenant selection plan. The Borrower's tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto.

Borrower shall rent the Assisted Units to any Eligible Household according to the tenant selection plan. Borrower shall verify the prospective tenant's eligibility and require from each tenant documentation that such household's income from all sources does not exceed allowable limits as described in Exhibit N.

Borrower shall maintain and select tenants from a written waiting list in the chronological order of their application. Borrower shall provide said waiting list to any subsequent owner and/or property manager.

Borrower shall give priority for Assisted Units to Qualified Households who have been displaced as a result of the City of Los Angeles' public projects.

Borrower shall require each prospective tenant to certify under penalty of perjury that they are not (a) an owner, developer or sponsor of the project; (b) an officer, employee, agent, consultant or elected or appointed official of the owner, developer or sponsor; or (c) a member of the Immediate Family of such person described in subsections (a) and (b). Borrower shall not rent any unit of the Project to any of said individuals. Any exceptions shall be requested in writing and subject to consideration in accordance with applicable policies, procedures and regulations.

3.7 **INCOME CERTIFICATION.** Borrower shall limit for the full term of the Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule contained in Exhibit N. The income levels and other qualifications of applicants for Assisted Units shall be certified within ten (10) business days of the household's expected occupancy of one (1) of the units. Borrower shall

acknowledge that it has received a copy of the current City of Los Angeles rules governing income certification, and shall comply with these rules as they may be amended.

On an annual basis, Borrower shall provide Lender with a copy of an occupancy summary report showing the present occupants, rent, and size of the Assisted Units on the Project, and any other information which the Lender requests and which relates to the eligibility of these households. If the household size of an Eligible Household changes, the Lender may request additional income documentation to determine eligibility. If LAHD determines that the Eligible Household is no longer an Eligible Household, such Unit will continue to be treated as an Assisted Unit until the next available unit of comparable size on the Project is rented to a person who qualifies for an Assisted Unit; or, if HOME Funds are used and the Eligible Household is found to no longer qualify as 30% Income, 45% Income and 60% Income, the household must pay thirty percent (30%) of their Household Income for rent and Utilities or the maximum increase allowed under the City's Rent Stabilization Ordinance, whichever is less. Notwithstanding the previous sentence, tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent according to the requirements of section 42.

The City may require the Borrower, at any time, to re-examine for compliance with the Affordability Restrictions and Maximum Rents (Exhibit N), the income of each tenant household and immediately submit its findings to the City.

3.8 PROJECT RENTS. Rents for Restricted Units shall be limited to Qualifying Rents as set forth in Exhibit N. Qualifying Households shall be given at least thirty (30) days written notice prior to any rent increase.

The maximum allowable rent that may be charged for a Restricted Unit may change from time to time when there are changes in the Area Median Income as published by HUD, or when there are changes made to the allowances deducted for tenant paid Utilities as calculated by the Housing Authority of the City of Los Angeles. In no event, however, will the resulting maximum allowable rent for a Restricted Unit Exceed the HUD fair market rents set for rental housing units of the same number of bedrooms for the area.

For projects subject to the City's Rent Stabilization

Ordinance, the maximum rent increase allowed by that ordinance may be less or more than that allowed by changes in the Area Median Income. In such instances, the rents on restricted units may only be raised to the lesser of the two (2) allowed increases.

If the Project is receiving necessary rental assistance from the Section 8 Rental Assistance Program through the Los Angeles Housing Authority ("Rental Assistance") and said Rental Assistance is withdrawn or terminated due to reasons not attributable to the actions or inactions of the Borrower, the Borrower may petition LAHD to modify the affordability restrictions and maximum rental charges designated in Exhibit N, if the following circumstances exist: (a) alternative funding is unavailable, (b) the project is otherwise in full compliance with all the terms of the funding for the Project, and (c) more restrictive funding requirements do not apply to the Project. Any modification shall be only to the minimum extent required for project feasibility, as determined by LAHD. In addition, the affordability restrictions and maximum rental charges designated in Exhibit N and Exhibit K(b) which are restricted to households with incomes not exceeding a specified percentage of area median income shall not in any event be increased to an amount in excess of thirty percent (30%) of sixty percent (60%) of the area median income for Los Angeles.

3.9 FORM OF NONDISCRIMINATION AND NONSEGREGATION CLAUSES.

- A. The Borrower shall refrain from restricting the rental, sale or lease of the property on the basis of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency (AIDS), acquired or perceived, familial status and handicap, pregnancy, childbirth or related medical condition. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:
 - 1. In deeds: "The Grantee herein covenants by and for himself/herself, his/her heirs, executors, administrators and assigns, and all persons claiming under or through him/her, that there shall be no discrimination against or segregation of, any person or group of persons on account of

race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency (AIDS), acquired or perceived, familial status and handicap, pregnancy, childbirth or related medical condition in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself/herself or any person claiming under or through him/her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, licenses or vendees of the land herein conveyed. The foregoing covenants shall run with the land."

2. In leases: "The lessee herein covenants by and for himself/herself, his/her heirs, executors, administrators and assigns, and all persons claiming under or through him/her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency (AIDS), acquired or perceived, familial status and handicap, pregnancy, childbirth or related medical condition in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the land herein leased nor shall the lessee himself/herself or any person claiming under or through him/her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein leased."
3. In contracts: "There shall be no discrimination against or segregation of any person or group of

persons on account of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency (AIDS), acquired or perceived, familial status and handicap, pregnancy, childbirth or related medical condition in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee himself/herself or any person claiming under or through him/her, establish or permit any such practice or practices of discrimination or segregation with reference to the lessees, subtenants, sublessees, or licenses vendees of the land."

3.10 **LEASING THE PROJECT.** Before leasing any portion of the Project, Borrower shall submit its proposed form of lease for Lender's review and approval. The term of the Lease shall be for no less than one (1) year unless mutually agreed upon by Borrower and tenant, and shall not contain any provision which is prohibited by 24 C.F.R. Section 92.253(b) and any modifications thereto. Any termination of the Lease or refusal to renew must be in conformance with 24 C.F.R. 92.253(c) and must be preceded by not less than thirty (30) days written notice to the tenant by the Borrower specifying the grounds for the action.

A. Assisted Units

1. All Assisted Units shall be leased and shall not be withdrawn from the market. Assisted Units shall be rented in a manner consistent with the Space and Occupancy Standards set forth in Chapter 5, of the Uniform Housing Code (1997), and in such a manner that there is no under-utilization of the floor space of Assisted Units.
2. If one (1) of the Assisted Units becomes vacated, Borrower shall use reasonable attempts to rent that particular Assisted Unit, or identify another unit as an Assisted Unit.
3. During the initial lease up, and upon vacancies of an Assisted Unit, Borrower shall make reasonable efforts to advertise to Eligible Households. For reference purposes, the eligibility income

requirements are specified in Exhibit N, which is hereby incorporated into this Loan Agreement by this reference. The affirmative marketing requirements and procedures adopted must meet the requirements of federal fair housing laws and the City's affirmative marketing policy. Borrower shall obtain and comply with the City's affirmative marketing guidelines contained within the Property Management Plan Packet from LAHD Contract Compliance Unit.

B. The Borrower shall provide to each tenant, the following: (1) a signed copy of the lease and/or rental agreement; and (2) a signed copy of the supplemental agreement to the lease or rental agreement ("Mandatory Addendum").

3.11 **NOTICE TO TENANTS.** There are four (4) points in time when the Borrower is required to give written notice to all tenants of Restricted Units:

- A. Upon initial move-in/lease execution, Borrower shall give written notice, to all tenants of Restricted Units, of the duration of the rent restrictions under the Regulatory Agreement. Borrower must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgment of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under the Regulatory Agreement shall be for Fifty Five (55) years, and shall terminate fifty five (55) years from the date of execution of the Regulatory Agreement. Upon termination of the rent restriction period under the Regulatory Agreement, rents may be set at market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.
- B. Twelve (12) months prior to the termination of the rent restriction period under the Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Department of Housing and Community Development.

- C. Six (6) months prior to the termination of the rent restriction period under the Regulatory Agreement, Borrower must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Borrower must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Department of Housing and Community Development.
- D. Ninety (90) days prior to the termination of the rent restriction period under the Regulatory Agreement, Borrower must again give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels.

3.12 AFFORDABILITY RESTRICTIONS AND MAXIMUM RENTAL CHARGES.

The affordability of the Project and the maximum rental charges shall be maintained as designated in Exhibit N, which is hereby incorporated into this City Loan Agreement by this reference. If HOME Funds are used, Borrower must comply with the affordability requirements contained in 24 CFR 92.252.

3.13 COMPLIANCE WITH REGULATORY AGREEMENT. As a material inducement to Lender making the Loan to Borrower, Borrower covenants to comply with the Regulatory Agreement in the use and operation of the Property.

3.14 CONFLICTS BETWEEN COVENANTS OR RESTRICTIONS AFFECTING THE PROPERTY. Any conflicts between the restrictive provisions contained in this Loan Agreement, City Note, City Deed of Trust, and Regulatory Agreement, and any other agreements in connection with the Loan or any other loan which affect the Property, are to be resolved by applying the more restrictive covenants or restrictions which affect the Property.

ARTICLE 4. EMPLOYMENT

4.1 NONDISCRIMINATION.

- A. No person shall on the grounds of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition,

blindness or other physical disability, familial status, pregnancy, childbirth or related medical condition, acquired immune deficiency syndrome (AIDS), acquired or perceived, be excluded from participation in, be denied the benefit of, or be subjected to discrimination under this Project. For purposes of this Section, Title 24 Code of Federal Regulations Section 570.601(b) defines specific discriminatory actions which are prohibited and corrective action which shall be taken in situations as defined.

- B. The Borrower shall comply with the nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City. In performing this Loan Agreement, the Borrower shall not discriminate in its employment practices against any employee, or applicant for employment because of such person's race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency syndrome (AIDS), acquired or perceived, familial status, pregnancy, childbirth or related medical condition. The Borrower shall comply with Executive Order 11246, entitled "Equal Employment Opportunity", as amended by Executive Order 11375, and as supplemented in the Department of Labor regulations (41 CFR Part 60).
- C. The Borrower shall comply with the provisions of Los Angeles Administrative Code Sections 10.8 through 10.13, to the extent applicable hereto. If this Loan Agreement contains a consideration in excess of \$1,000, the Equal Employment Practices provisions of this Loan Agreement shall be the mandatory contract provisions set forth in Los Angeles Administrative Code Section 10.8.3, in which event said provisions are incorporated herein by this reference. If this Loan Agreement contains a consideration in excess of one hundred thousand dollars (\$100,000), the Affirmative Action Program of this Loan Agreement shall be the mandatory contract provisions set forth in Los Angeles Administrative Code Section 10.8.4 which provisions are incorporated herein by this reference. The Borrower shall also comply with all rules, regulations, and policies of the City's Board of Public Works, Office of

Contract Compliance relating to nondiscrimination and affirmative action, including the filing of all forms required by the City. Any subcontract entered into by the Borrower relating to this Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph. Failure of the Borrower to comply with this requirement or to obtain the compliance of its contractors or subcontractors with such obligations shall subject the Borrower to the imposition of any and all sanctions allowed by law, including but not limited to termination of the Borrower's contract with the City.

4.2 **EQUAL OPPORTUNITY.** Borrower and any contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal employment opportunity as set forth in this Loan Agreement and any attachments, and shall incorporate such provisions in all construction contracts, professional services contracts, and subcontracts for work on the Project.

A. Pursuant to Executive Order 11246 and implementing regulations at 41 CFR Chapter 60, the Borrower, for itself and its successors and assigns, agrees that:

1. The Borrower shall not discriminate against any employee or applicant for employment because of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency syndrome (AIDS), acquired or perceived, familial status, pregnancy, childbirth or related medical condition. The Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency syndrome (AIDS), acquired or perceived, familial status, pregnancy, childbirth or related medical condition. Such action shall include, but not be limited to, the following: employment, upgrading,

demotion, transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship. The Borrower shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City setting forth the provisions of this nondiscrimination clause.

2. The Borrower shall, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency syndrome (AIDS), acquired or perceived, familial status, pregnancy, childbirth or related medical condition.
3. The Borrower shall send a notice to each labor union or representative of workers with which the Borrower has a collective bargaining agreement or other contract or understanding, advising the labor union or worker's representative of the Borrower's commitments under Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
4. The Borrower shall comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
5. The Borrower shall furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of HUD pursuant thereto and will permit access to the Borrower's books, records and accounts by the City, the Secretary of HUD, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

6. In the event of the Borrower's noncompliance with the nondiscrimination clauses of this Section, or with any of the said rules, regulations, or orders, following notice and an opportunity to cure as provided in below, this Loan Agreement may be canceled, terminated, or suspended in whole or in part and the Borrower may be declared ineligible for further government contracts or federally assisted construction contracts in accordance with procedures authorized by Executive Order 11246 of September 24, 1965, or by rules, regulations, or orders of the Secretary of Labor, or as otherwise provided by law.
7. The Borrower shall include the provisions of Paragraphs (1) through (6) of this Section in every contract or purchase order, and will require the inclusion of these provisions in every subcontract entered into by any of its contractors, unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each such contractor, subcontractor, or vendor, as the case may be. The Borrower will take such action with respect to any construction contract, subcontract, or purchase order as the City or HUD may direct as a means of enforcing such provisions, including sanctions for noncompliance. For the purpose of including such provisions in any construction contract, subcontract, or purchase order, as required hereby, the first two (2) lines of this subsection shall be changed to read "During the performance of this Contract, the Borrower agrees as follows:" and the term "Borrower" shall be changed to "Contractor."

B. Except as provided in California Government Code Section 12940, et seq., the Borrower shall not engage in the following prohibited employment practices:

1. Refusal to hire or employ any person or refusal to select any person for any training program leading to employment, or to bar or to discharge such person from employment or from such training

program leading to employment, or to discriminate against such person in compensation or in terms, conditions or privileges of employment because of race, color, religion, creed, sex, sexual preference or orientation, national origin, ancestry, physical handicap, medical condition, age, marital status, mental condition, blindness or other physical disability, acquired immune deficiency syndrome (AIDS), acquired or perceived, familial status, pregnancy, childbirth or related medical condition.

4.3 EMPLOYMENT OPPORTUNITIES FOR BUSINESS AND LOWER-INCOME PERSONS. Borrower and any contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal opportunities for business and lower-income persons (referred to as a Section 3 clause, of the HUD Act of 1968, 12 U.S.C. 1701u) as set forth in Exhibit O, which is hereby incorporated into this Loan Agreement by this reference, and shall incorporate such provisions in all construction contracts, professional services contracts, and subcontracts for work on the Project.

- A. The work to be performed under this Loan Agreement is on a Project assisted under a program providing direct federal financial assistance from HUD and is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 USC 1701u, hereinafter referred to as "Section 3." Section 3 requires that, to the greatest extent feasible, opportunities for training and employment be given to lower-income residents of the Project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the area of the Project.
- B. The parties to this Loan Agreement shall comply with the provisions of said Section 3 and the regulations issued pursuant thereto by the Secretary of HUD set forth in Title 24 CFR, Part 135, and all applicable rules and orders of HUD issued thereunder prior to the execution of this Loan Agreement. The parties to this Loan Agreement certify and agree that they are under no contractual or other disability which would prevent them from complying with these requirements.

- C. The Borrower shall send to each labor organization or representative of workers with which it has a collective bargaining agreement or other contract or understanding, if any, a notice advising the said labor organization or workers' representative of his/her commitments under this Section 3 clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment and training.
- D. The Borrower shall include this Section 3 clause in every subcontract for work in connection with the project and will, at the direction of the applicant for, or recipient of, Federal financial assistance, take appropriate action pursuant to the subcontract upon a finding that the subcontractor is in violation of regulations issued by the Secretary of HUD, 24 CFR Part 135. The Borrower shall not subcontract with any subcontractor where it has notice or knowledge that the latter has been found in violation of regulations under Title 24 CFR Part 135 and will not subcontract unless the subcontractor has first provided it with a preliminary statement of ability to comply with the requirements of these regulations.
- E. Compliance with the provisions of Section 3, the regulations set forth in Title 24 CFR Part 135, and all applicable rules and orders of the Department issued thereunder prior to the execution of this Loan Agreement, shall be a condition of the federal financial assistance provided to the Project, binding upon the applicant or recipient for such assistance, its successors, and assigns. Failure to fulfill these requirements shall subject the Borrower and its subcontractors, its successors, and assigns to those sanctions specified by this Loan Agreement or Contract through which federal assistance is provided, and to such sanctions as are specified by Title 24 CFR Part 135.

4.4 PARTICIPATION OF SMALL, MINORITY AND WOMEN'S BUSINESSES (MBE/WBE). Borrower and any contractors and subcontractors for the Project shall comply with the policies of Lender, the state, and the federal government concerning minority- and women-owned business enterprises, shall use its best efforts to obtain the maximum utilization of minority- and women-owned business enterprises based in Los Angeles, and shall ensure that minority- and women-owned business enterprises based in Los Angeles shall

have maximum practicable opportunity to compete for subcontractor work under this Loan Agreement, as set forth in this Loan Agreement and any attachments. Borrower shall incorporate similar provisions in all contracts and subcontracts for work on the Project.

Borrower agrees and shall cause any contractors and subcontractors for the Project to agree and obligate itself to utilize the services of Minority, Women and Other Business Enterprise firms on a level so designated in its proposal, if any. Borrower and any contractors and subcontractors certify that it has complied with Mayoral Directive 2001-26 regarding contracts greater than \$100,000 (One Hundred Thousand Dollars), if applicable. Borrower shall not change any of these designated contractors or subcontractors, nor shall Borrower reduce their level of effort, without prior written approval of the City.

4.5 AFFIRMATIVE ACTION IN EMPLOYMENT AND CONTRACTING PROCEDURES.

- A. Borrower and Lender understand and agree that it is the policy of the City to promote and ensure economic advancement of minority racial and ethnic persons as well as other economically disadvantaged persons through employment and in the award of contracts and subcontracts by private developers. Accordingly, Borrower shall use its best efforts to seek out and, to the greatest extent feasible, award and require the award of contracts and subcontracts for development of the Project to contracting firms owned by persons residing in Los Angeles County.
- B. Borrower shall also, to the greatest extent feasible, use its best efforts to award contracts and require the award of subcontracts by its contractors to firms representative of the racial and ethnic groups residing in Los Angeles County.
- C. Borrower shall in all general contracts for the development of the Project (and its contractors shall in all subcontracts thereunder) require that, to the greatest extent feasible, the labor force in all categories be comprised of residents of Los Angeles County. Borrower and its contractors shall also, to the greatest extent feasible, require that such labor force be proportionately representative of the racial and ethnic groups residing in Los Angeles County. City

shall provide to Borrower from time to time when requested, its current figures on the racial, economic and ethnic mix of the population of Los Angeles County and such figures shall be the basis for Borrower's and its sub-contractor's hiring and awarding efforts for the purposes of this Loan Agreement.

4.6 LIVING WAGE ORDINANCE AND SERVICE CONTRACTOR WORKER RETENTION ORDINANCE.

A. Unless otherwise exempt in accordance with the provisions of these Ordinances, this Loan Agreement is subject to the applicable provisions of the Living Wage Ordinance (LWO) Section 10.37 et. seq. of the Los Angeles Administrative Code, as amended from time to time, and the Service Contractor Worker Retention Ordinance (SCWRO), Section 10.36 et seq., of the Los Angeles Administrative Code, as amended from time to time. The Ordinances require the following:

1. Borrower assures payment of a minimum initial wage rate to employees as defined in the LWO and as may be adjusted each July 1 and provision of benefits as defined in the LWO.
2. Borrower further pledges that it will comply with federal law proscribing retaliation for union organizing and will not retaliate for activities related to the LWO. Borrower shall require each of its contractors and subcontractors within the meaning of the LWO to pledge to comply with the terms of federal law proscribing retaliation for union organizing. Borrower shall deliver the executed pledges from each such contractor and subcontractor to the City within ninety (90) days of the execution of the contract and subcontract. Borrower's delivery of executed pledges from each such contractor and subcontractor shall fully discharge the obligation of the Borrower with respect to such pledges and fully discharge the obligation of the Borrower to comply with the provision in the LWO contained in Section 10.37.6c concerning compliance with such federal law.

3. The Borrower and any contractor and subcontractor for the project, whether an employer, as defined in the LWO, or any other person employing individuals, shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to the employer's compliance or anticipated compliance with the LWO, for opposing any practice proscribed by the LWO, for participating in proceedings related to the LWO, for seeking to enforce his or her rights under the LWO by any lawful means, or otherwise asserting rights under the LWO. Borrower and any contractor and subcontractor for the project shall post the Notice of Prohibition Against Retaliation provided by the City.
 4. Any contract and subcontract entered into by the Borrower and any contractor and subcontractor for the project relating to this Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this Section and shall incorporate the provisions of the LWO and the SCWRO.
 5. Borrower and any contractor and subcontractor for the project shall comply with all rules, regulations and policies promulgated by the City's designated administrative agency which may be amended from time to time.
- B. Under the provisions of Section 10.36.3c and Section 10.37.5c of the Los Angeles Administrative Code, the City shall have the authority, under appropriate circumstances, to terminate this Loan Agreement and otherwise pursue legal remedies that may be available if the City determines that the subject Borrower and any contractor and subcontractor has violated provisions of either the LWO or the SCWRO or both.
- C. Where under the LWO Section 10.37. 6(d), the designated administrative agency has determined (a) that the Borrower and any contractor and subcontractor for the project is in violation of the LWO in having failed to pay some or all of the living wage, and (b) that such violation has gone uncured, the awarding authority in such circumstances may impound monies otherwise due the

Borrower in accordance with the following procedures. Impoundment shall mean that from monies due the Borrower, the awarding authority may deduct the amount determined to be due and owing by the Borrower and any contractor and subcontractor for the project to its employees. Such monies shall be placed in the holding account referred to in LWO Section 10.37.6 (d) (3) and disposed of under procedures described therein through final and binding arbitration. Whether the Borrower and any contractor and subcontractor for the project is to continue work following an impoundment shall remain in the sole discretion of the awarding authority. The Borrower and any contractors and subcontractors for the project may not elect to discontinue work either because there has been an impoundment or because of the ultimate disposition of the impoundment by the arbitrator.

- D. **Earned Income Credit.** This Loan Agreement is subject to the provisions of Section 10.37.4 of the Los Angeles Administrative Code, requiring employers to inform employees making less than Twelve Dollars (\$12.00) per hour of their possible right to the federal Earned Income Credit (EIC). Employers must further make available to employees the forms informing the employees about the EIC and the forms required to secure advance EIC payments from employers.

4.7 AMERICANS WITH DISABILITIES ACT. The Borrower hereby certifies that it and any contractor and subcontractor will comply with the Americans with Disabilities Act, 42 USC §12101 et seq., and its implementing regulations (ADA), the Americans with Disabilities Act Amendments Act of 2008, Pub. L. 110-325 (ADAAA) and all subsequent amendments, Section 504 of the Rehabilitation Act of 1973, as amended, 29 USC 794 and 24 CFR Parts 8 and 9 (Rehab Act), the Uniform Federal Accessibility Standards (UFAS), 24 CFR, Part 40, and the Fair Housing Act, 42 U.S.C. 3601, et seq; 24 CFR Parts 100, 103, and 104 (FHA) and all implementing regulations. The Borrower and any contractor and subcontractor will provide reasonable accommodations to allow qualified individuals with disabilities to have access to and to participate in its programs, services and activities in accordance with the provisions of the ADA, the ADAAA, the Rehab Act, the UFAS and the FHA and all subsequent amendments. The Borrower and any contractor and subcontractor will not discriminate against persons with disabilities or against persons due to their relationship to or association with a person with a

disability. Any contract and subcontract entered into by the Borrower and any contractor and subcontractor, relating to this Loan Agreement and Project, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

4.8 **EQUAL BENEFITS ORDINANCE.** Unless otherwise exempt in accordance with the provisions of the Equal Benefits Ordinance (EBO), Section 10.8.2.1 of the Los Angeles Administrative Code, this Loan Agreement is subject to the provisions of the EBO as amended from time to time.

- A. During the performance of the project, the Borrower certifies and represents that the Borrower and any contractor and subcontractor will comply with the EBO. The Borrower agrees to ensure posting the following statement in conspicuous places at its place of business and the project available to employees and applicants for employment:

"During the performance of this project with the City of Los Angeles, the Borrower and any contractor or subcontractor will provide equal benefits to employees with spouses and its employees with domestic partners. Additional information about the City of Los Angeles' Equal Benefits Ordinance may be obtained from the Department of Public Works, Office of contract Compliance at (213) 847-1922."

- B. The failure of the Borrower to comply or to ensure that any contractor or subcontractor comply with the EBO will be deemed to be a material breach of the Loan Agreement by the Awarding Authority.
- C. If the Borrower and any contractor and subcontractor fails to comply with the EBO the Awarding Authority may cancel, terminate or suspend the Loan Agreement, in whole or in part, and all monies due or to become due under the Loan Agreement may be retained by the City. The City may also pursue any and all other remedies at law or in equity for any breach.
- D. Failure to comply with the EBO may be used as evidence against the Borrower in actions taken pursuant to the provisions of Los Angeles Administrative Code Section 10.40 et seq., Contractor Responsibility Ordinance.

- E. If the Bureau of Contract Administration determines that a Borrower has set up or used its contracting entity for the purpose of evading the intent of the EBO, the Awarding Authority may terminate the Loan Agreement on behalf of the City. Violation of this provision may be used as evidence against the Borrower in actions taken pursuant to the provisions of the Los Angeles Administrative Code Section 10.40 et seq., Contractor Responsibility Ordinance.

4.9 **CONTRACTOR RESPONSIBILITY ORDINANCE.** Unless otherwise exempt in accordance with the provisions of the Ordinance, this Loan Agreement is subject to the provisions of the Contractor Responsibility Ordinance, Section 10.40 et seq., of Article 14, Chapter 1 of Division 10 of the Los Angeles Administrative Code, as amended from time to time, which requires Borrower to update its responses to the responsibility questionnaire within thirty calendar days after any change to the responses previously provided if such change would affect Borrower's fitness and ability to continue performing under the Loan Agreement. In accordance with the provisions of this Ordinance, by signing this Loan Agreement, Borrower pledges, under penalty of perjury, to comply with all applicable federal, state and local laws in the performance of this Loan Agreement, including but not limited to, laws regarding health and safety, labor and employment, wage and hours, and licensing laws which affect employees. The Borrower further agrees to: (1) notify the awarding authority within thirty calendar days after receiving notification that any government agency has initiated an investigation which may result in a finding that the Borrower is not in compliance with all applicable federal, state and local laws in performance of this Loan Agreement and project; (2) notify the awarding authority within thirty calendar days of all findings by a government agency or court of competent jurisdiction that the Borrower and any contractor and subcontractor for the project has violated the provisions of Section 10.40.3 (a) of the Ordinance; (3) ensure that its subcontractor(s), as defined in the Ordinance, submit a Pledge of Compliance to awarding authorities; and (4) ensure that its contractor and subcontractor, as defined in the Ordinance, comply with the requirements of the Pledge of Compliance and the requirement to notify Awarding Authorities within thirty calendar days after any government agency or court of competent jurisdiction has initiated an investigation or has found that the contractor or subcontractor has violated Section 10.40.3(a) of the Ordinance in performance of the contract or subcontract.

4.10 **SLAVERY DISCLOSURE ORDINANCE.** Unless otherwise exempt in accordance with the provisions of this Ordinance, this Loan Agreement is subject to the Slavery Disclosure Ordinance, Section 10.41 of the Los Angeles Administrative Code, as may be amended from time to time. Borrower certifies that it has complied with the applicable provisions of this Ordinance. Failure to fully and accurately complete the affidavit may result in termination of this Loan Agreement.

4.11 **CHILD SUPPORT ASSIGNMENT ORDERS.** This Loan Agreement is subject to Section 10.10 of the Los Angeles Administrative Code, Child Support Assignment Orders Ordinance. Pursuant to this Ordinance, Borrower certifies that (1) it and any contractor and subcontractor will fully comply with all State and Federal employment reporting requirements applicable to Child Support Assignment Orders; (2) that the principal owner(s) of the Borrower(s) are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) it and any contractor or subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq.; and (4) it and any contractor or subcontractor will maintain such compliance throughout the term of this Loan Agreement. Pursuant to Section 10.10b of the Los Angeles Administrative Code, failure of Borrower to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Borrower(s) to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default by the Borrower under the terms of this Loan Agreement, subjecting this Loan Agreement to termination where such failure shall continue for more than ninety (90) days after notice of such failure to Borrower by City. Any contract and subcontract entered into by the Borrower relating to this Loan Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph and shall incorporate the provisions of the Child Support Assignment Orders Ordinance. Failure of the Borrower to obtain compliance of its contractor and subcontractor shall constitute a default by the Borrower under the terms of this Loan Agreement, subjecting this Loan Agreement to termination where such failure shall continue for more than ninety (90) days after notice of such failure to Borrower by the City.

Borrower shall comply with the Child Support Compliance Act of 1998 of the State of California as implemented by the Employment Development Department. Borrower assures that to the best of its knowledge it is fully complying with the earnings assignment orders of all employees, and is providing the names of all new employees to the New Hire Registry maintained by the Employment Development Department as set forth in subdivision (1) of the Public Contract Code 7110.

4.12 ENFORCEMENT OF EMPLOYMENT REQUIREMENTS. In the event of underpayment of wages by Borrower or by any contractor or subcontractor employed on the Project, Lender, in addition to other rights and remedies afforded by this Loan Agreement or applicable law, may: (1) demand that Borrower and/or any underpaying employer comply with these requirements; (2) demand that the underpaying employer pay the difference between the prevailing wage rates and the amount actually paid to workers; (3) withhold from Borrower any Loan proceeds as may be necessary to compensate workers the full wages required under this Loan Agreement (whether or not the Loan payee is directly responsible for the underpayment); (4) impose liquidated damages in the form of a forfeiture of up to fifty dollars (\$50) per calendar day for each worker paid less than the prevailing wage, the amount of such forfeiture to be determined solely by Lender according to the standards contained in California Labor Code Section 1775; and/or (5) pursue any lawful administrative or court remedy to enforce these requirements against the Borrower and underpaying employer. Borrower shall comply with any demand to pay any amounts due under this section within ten (10) calendar days of said demand. In addition, a worker who has been paid less than the prevailing wage rate shall have a right to commence an action or proceeding against the employer to collect the underpayment.

In the event of any violation or deficiency with respect to the equal opportunity and/or the MBE/WBE provisions herein, including failure to provide adequate documentation as specified herein, by Borrower or by any contractor or subcontractor employed on the Project, Lender, in addition to other rights and remedies afforded by this Loan Agreement or applicable law, may: (1) demand that any noncomplying party comply with these requirements; (2) withhold disbursement of Loan proceeds from Borrower or any contractor or subcontractor until such violations are corrected; (3) impose liquidated damages on the noncomplying party in the form of a forfeiture of up to one thousand dollars (\$1,000) or one percent (1%) of the contract, whichever is less, the amount of such forfeiture to be determined solely by Lender; and/or (4) pursue any lawful administrative or court remedy to

enforce these requirements. Any noncomplying party shall comply with any demand to correct any noncompliance within ten (10) business days of said demand.

Borrower shall monitor and enforce the equal employment opportunity, minority- and women-owned business enterprises, and prevailing wage requirements imposed on its contractors and subcontractors, including withholding payments to those contractors or subcontractors who violate these requirements. In the event that Borrower fails to monitor or enforce these requirements against any contractor or subcontractor, Borrower shall be liable for the full amount of any underpayment of wages, plus costs and attorneys' fees, as if Borrower was the actual employer, and Lender may withhold payments to Borrower, may impose liquidated damages on Borrower in the amounts specified herein, may take action directly against the contractor or subcontractor as permitted by law, and/or may declare an Event of Default and pursue any of the other remedies available under this Loan Agreement.

4.13 **LABOR COMPLIANCE MEETING.** The Borrower shall meet with LAHD's Labor Compliance staff for a pre-construction briefing on all City construction requirements prior to the issuance of a notice to proceed.

ARTICLE 5. INDEMNITY AND INSURANCE

5.1 **DAMAGE TO PROPERTY.** If any building or improvements erected by Borrower on the Property is damaged or destroyed by an insurable cause, Borrower shall, at its cost and expense, diligently undertake to repair or restore said buildings and improvements consistent with the original Plans and Specifications for the Project. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be complete within one (1) year thereafter. All 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, Borrower shall make up the deficiency. Where the City is a lienholder, insurance must be issued covering the replacement value of the property with an endorsement listing the City as a loss payee as its interests may appear. The policy must remain in effect through the term of the loan.

5.2 INSURANCE COVERAGE.

- A. General Conditions. During the term of this Loan Agreement and Regulatory Agreement and without limiting Borrower's indemnification of the City, Borrower shall provide, maintain and ensure that any contractor or subcontractor provide and maintain, at its own expense a program of insurance having the coverages and limits customarily carried and actually arranged by Borrower and any contractor or subcontractor but not less than the amounts and types listed on the Required Insurance and Minimum Limits Sheet (Form General 146 in Exhibit Q hereto, which is hereby incorporated into this Loan Agreement by this reference.), covering its operations hereunder. Such insurance shall conform to City requirements established by Charter, ordinance or policy, shall comply with the Insurance Contractual Requirements (Form General 133 and with the conditions set forth on the applicable City Special Endorsement form(s), copies of which are included in Exhibit Q), and shall otherwise be in a form acceptable to the Office of the City Administrative Officer, Risk Management.
- B. Modification of Coverage. CITY reserves the right at any time during the term of this Loan Agreement and Regulatory Agreement to change the amounts and types of insurance required hereunder by giving Borrower and any contractor and subcontractor ninety (90) days advance written notice of such change. If such change should result in substantial additional cost to the Borrower and any contractor and subcontractor, CITY agrees to negotiate additional compensation proportional to the increased benefit to CITY.
- C. Failure to Procure Insurance. All required insurance must be submitted and approved by the Office of the City Administrative Officer, Risk Management prior to the commencement of any work, inception of any operations, or tenancy by Borrower and any contractor and subcontractor.

Borrower's and any contractor's and subcontractor's failure to procure or maintain required insurance or a self-insurance program during the entire term of this Loan Agreement and Regulatory Agreement shall constitute a material breach of this Loan Agreement under which City may immediately suspend or terminate

this Loan Agreement or, at its discretion, procure or renew such insurance to protect City's interests and pay any and all premiums in connection therewith and shall become an additional obligation of Borrower to Lender and shall be secured by the Deed of Trust.

D. Builder's Risk Policy and Physical Damage Policy.

During the period of construction, Borrower must obtain or cause to be obtained a builder's risk or equivalent policy covering damage or loss up to the value of labor and materials and naming the City as loss payee as its interests may appear. After completion of the Project, Borrower must cause to be issued a physical damage insurance policy covering the replacement value of the property as mutually agreed between Borrower and insurer with a lender's loss payable endorsement listing the City and Borrower as the loss payee as their interests may appear. This policy must remain in effect throughout the term of the Loan.

E. Proceeds. All proceeds of insurance with respect to loss or damage to the Project during the term of the Loan shall be payable, under the provisions of the policy of insurance, jointly to the Borrower, the City, construction lender[s], permanent lenders and any other lender permitted by the City, and said proceeds shall constitute a trust fund to be used for the restoration, repair or rebuilding of the Project in accordance with plans and specifications approved in writing by the City. To the extent that such proceeds exceed the cost of such restoration, repair or rebuilding, such proceeds shall be applied first to repay the construction lenders and second to repay the City Loan.

In the event of any fire or other casualty to the project or eminent domain proceedings resulting in condemnation of the project improvements or any part thereof, the Borrower shall have the right to rebuild the improvements, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the City Loan in balance and rebuild the improvements in a manner that provides adequate security to the City for repayment of the City Loan or if such proceeds are insufficient then the Borrower shall have funded any deficiency, (b) the City shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation

proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the City Loan. If the casualty or condemnation affects only part of the improvements and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the City Loan in a manner that provides adequate security to the City for repayment of the remaining balance of the City Loans.

- F. Underlying Insurance. Borrower shall be responsible for requiring indemnification and insurance as it deems appropriate from its employees receiving mileage allowance and from its consultants, agents and subcontractors, if any, to protect Borrower's and City's interests and for ensuring that such persons comply with any applicable insurance statutes. Borrower is encouraged to seek professional advice in this regard.
- G. Worker's Compensation. By signing this Loan Agreement, Borrower hereby certifies that it is aware and shall make any contractor and subcontractor aware of the provisions of Section 3700 et seq., of the Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and that it will comply with such provisions at all such times as they may apply during the performance of the work pursuant to this Loan Agreement.

A Waiver of Subrogation in favor of City will be required when work is performed on City premises under hazardous conditions.

5.3 INSURANCE POLICY REQUIREMENTS. At close of escrow, the City must receive a one (1) year prepaid Certificate of Insurance policy (or binder followed by a certificate within thirty (30) days of loan closing) evidencing the following coverage:

A. Hazard (Property)

Perils: All risk; or Fire & Lightning, Extended Coverage, Vandalism & Malicious Mischief, including Loss of Rents coverage for at least 12 months.

Covered
Property: Structure; and City-owned equipment and
supplies.

Amount: Replacement value (or less if approved by the
City).

Coinsurance: Not less than 90%.

Deductible: \$2,500 maximum deductible per occurrence; or
\$1,000 more with City concurrence.

Loss Payable
Endorsement: Lenders Loss Payable Endorsement in favor of
the City.

Boiler & Related
Machinery: (When applicable) 80% coinsurance;
replacement cost coverage is required.

B. Flood Insurance: If the project is located in Special
Flood Hazard Area (SFHA), replacement cost coverage is
required, including Loss of Rents coverage.

C. Comprehensive General Liability:

Minimum Amount:

<u>Number of Bedrooms</u>	<u>Liability Ins. Requirements</u>
1 - 8	\$1,000,000
9 - 40	2,000,000
41 - 60	3,000,000
61 - 80	4,000,000
81 -100	5,000,000
101 +	7,000,000

Evidence of comprehensive general liability insurance should be
submitted on either the City's Special Endorsement form or by
submitting two (2) certified copies of the policy including the
additional insured and cancellation notice endorsements.

D. Worker's Compensation. Required by State law if
employees are involved.

E. All Policies must include the following:

1. Name Insured: Borrower
2. Additional Insured: City of Los Angeles, its officers, agencies and employees shall be included as additional insureds.
3. Cancellation Clause: The City must be notified 30 days prior to insurance company's cancellation of policy by certified mail.
4. The City should be identified on all insurance documents as follows, including the project name, street name, street address, city and county:

Los Angeles Housing Department
of the City of Los Angeles
P.O. Box 532729
Los Angeles, CA 90053-2729

5.4 **NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.** The Lenders's officers, officials, employees or agents shall not be personally liable to Borrower for any obligation created under the terms of these Loan Documents except in the case of actual fraud or willful misconduct by such person.

5.5 **BONDS.** All bonds which may be required hereunder shall conform to City requirements established by Charter, ordinance or policy, and shall be filed with the Office of the City Administrative Officer, Risk Management for its review and acceptance in accordance with Sections 11.47 through 11.56 of the Los Angeles Administrative Code.

5.6 **INDEMNIFICATION.** Except for the active negligence or willful misconduct of City, or any of its Boards, Officers, Agents, Employees, Assigns and Successors in Interest, Borrower undertakes and agrees to defend, indemnify and hold harmless the City and any of its Boards, Officers, Agents, Employees, Assigns, and Successors in Interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including Borrower's and any contractor's and subcontractor's employees and agents, or damage or

destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this Loan Agreement as a result (directly or indirectly) of or in connection with this Loan Agreement or the use of the Property by Borrower, its agents, employees, contractor or subcontractor of any tier, including suits, causes of action, claims, losses, demands and expenses relating to the condition of the Property. Rights and remedies available to the City under this provision are cumulative of those provided for elsewhere in this Loan Agreement and those allowed under the laws of the United States, the State of California, and the City. The provisions of this Section 5.6 shall survive expiration or termination of this Loan Agreement.

5.7 INTELLECTUAL PROPERTY INDEMNIFICATION. Borrower, at its own expense, undertakes and agrees to defend, indemnify, and hold harmless the City, and any of its Boards, Officers, Agents, Employees, Assigns, and Successors in Interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever arising out of the infringement, actual or alleged, direct or contributory, of any intellectual property rights, including, without limitation, patent, copyright, trademark, trade secret, right of publicity and proprietary information right (1) on or in any design, medium, matter, article, process, method, application, equipment, device, instrumentation, software, hardware, or firmware used by Borrower, its agents, employees, contractor or subcontractor of any tier, in performing the work under this Loan Agreement; or (2) as a result of the City's actual or intended use of any Work Product furnished by Borrower, or its agents, employees, contractor or subcontractor of any tier, under the Loan Agreement. Rights and remedies available to the City under this provision are cumulative of those provided for elsewhere in this Loan Agreement and those allowed under the laws of the United States, the State of California, and the City. The provisions of this paragraph shall survive expiration or termination of this Loan Agreement.

ARTICLE 6. ENVIRONMENTAL COMPLIANCE

6.1 REPRESENTATIONS AND WARRANTIES. After reasonable investigation and inquiry, Borrower hereby represents and warrants to the best of its knowledge, as of the date of this Loan Agreement and except as previously disclosed and acknowledged in writing by

Lender or as disclosed by the reports based on environmental audit(s) performed on the Property and submitted to Lender, that (a) the Property is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials in violation of Federal or State law; (b) the Property is in compliance with all applicable environmental and health and safety laws, regulations, ordinances, administrative decisions, common law decisions (whether federal, state, or local) with respect to Hazardous Materials, including those relating to federal lead-based paint regulations, and soil and groundwater conditions ("Hazardous Materials Laws"); (c) there are no claims or actions pending or threatened with respect to the Property by any governmental entity or agency or any other person relating to Hazardous Materials; and (d) there has been no release or threatened release of any Hazardous Materials on, under, or near the Property (including in the soil, surface water, or groundwater under the Property) or any other occurrences or conditions on the Property or on any other real property that could cause the Property or any part thereof to be classified as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

6.2 NOTIFICATION TO LENDER. Borrower shall immediately notify Lender in writing of: (a) the discovery of any concentration or amount of Hazardous Materials on or under the Property requiring notice to be given to any governmental entity or agency under Hazardous Materials Laws; (b) any knowledge by Borrower (after verification of the veracity of such knowledge to Borrower's reasonable satisfaction) that the Property does not comply with any Hazardous Materials Laws; (c) the receipt by Borrower of written notice of any Hazardous Materials claims; and (d) the discovery by Borrower of any occurrence or condition on the Property or on any real property located within 2,000 feet of the Property that could cause the Property or any part thereof to be designated as a "hazardous waste property" or as a "border zone property" under California Health and Safety Code Sections 25220, et seq., or regulations adopted therewith.

6.3 USE AND OPERATION OF PROPERTY. Neither Borrower, nor any agent, employee, or contractor of Borrower, nor any authorized user of the Property shall use the Property or allow the Property to be used for the generation, manufacture, storage, disposal, or release of Hazardous Materials. Borrower shall comply and cause the Project to comply with Hazardous Materials Laws.

6.4 **COMPLIANCE WITH ENVIRONMENTAL STANDARDS.** Borrower shall comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 USC §1451 et seq.); (f) conformity of federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the clean Air Act of 1955, as amended (42 USC §7401 et seq.); protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205); (i) Flood Disaster Protection Act of 1973 §102(a) (P.L. 93-234); and (j) §508 of the Clean Water Act (38USC 1368).

6.5 **REMEDIAL ACTIONS.** If Borrower has actual knowledge of the presence of any Hazardous Materials on or under the Property, Borrower shall take or cause its tenant to take, at no cost or expense to Lender, all handling, treatment, removal, storage, decontamination, cleanup, transport, disposal or other remedial action, if any, required by any Hazardous Materials Laws or by any orders or requests of any governmental entity or agency or any judgment, consent decree, settlement or compromise with respect to any Hazardous Materials claims. The foregoing, however, shall be subject to Borrower's right of contest below.

6.6 **RIGHT OF CONTEST.** Borrower may contest in good faith any claim, demand, levy or assessment under Hazardous Materials Laws if: (a) the contest is based on a material question of law or fact raised by Borrower in good faith, (b) Borrower promptly commences and thereafter diligently pursues the contest, (c) the contest will not materially impair the taking of any remedial action with respect to such claim, demand, levy or assessment, and (d) if requested by Lender, Borrower deposits with Lender any funds or other forms of assurance Lender in good faith from time to time determines appropriate to protect Lender from the consequences of the contest being unsuccessful and any remedial action then reasonably necessary. No Event of Default shall be deemed to exist with respect to any claim, demand, levy or attachment being contested by Borrower under the conditions of this section.

6.7 **ENVIRONMENTAL INDEMNITY.** Borrower shall defend, indemnify, and hold Lender free and harmless against any claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including all costs of legal proceedings and reasonable attorney's fees, that Lender may directly or indirectly sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty, agreement, or covenant contained in this Loan Agreement with respect to Hazardous Materials, or as a consequence of any use, generation, manufacture, storage, release, or disposal (whether or not Borrower knew of same) of any Hazardous Materials occurring prior to or during Borrower's use or occupancy of the Property.

ARTICLE 7. DEFAULT AND REMEDIES

7.1 **EVENTS OF DEFAULT.** The occurrence of any of the following events shall constitute an "Event of Default" under this Loan Agreement:

- A. Monetary. (1) Borrower's failure to pay when due any sums payable under the City Note or any advances made by Lender under the City Deed of Trust or this Loan Agreement; (2) Borrower's use of Loan funds for costs other than Eligible Costs or for uses inconsistent with other terms and restrictions in the Loan Documents; (3) Borrower's failure to obtain and maintain the insurance coverage required under this Loan Agreement; (4) Borrower's failure to make any other payment or assessment due under the Loan Documents; (5) Borrower's failure to keep the Loan "in balance" as required under this Loan Agreement;
- B. Construction. (1) Borrower's substantial deviation in the work of construction specified in the Plans and Specifications submitted to Lender, without Lender's prior written consent; (2) Borrower's use of defective or unauthorized materials or defective workmanship in constructing the Project; (3) Borrower's failure to commence or complete construction, without proper justification under the unavoidable delay provision of this Loan Agreement, according to the construction schedule specified in this Loan Agreement; (4) the cessation of construction prior to completion of the Project for a period of more than fifteen (15) continuous calendar days without proper justification; (5) any material adverse change in the condition of Borrower or the Project or any other event that gives Lender

reasonable cause to believe that the Project cannot be constructed by the scheduled completion date according to the terms of this Loan Agreement; (6) the filing of any claim of lien against the Property or service on Lender of any stop notice relating to the Loan and the continuance of the claim of lien or stop notice for thirty (30) days after such filing or service without payment, discharge, or satisfaction as provided for in this Loan Agreement; (7) Borrower's failure to remedy any deficiencies in recordkeeping or failure to provide records to Lender upon Lender's request; (8) Borrower's failure to substantially comply with any applicable federal, state, or local laws or Lender policies governing construction, including but not limited to provisions of this Loan Agreement pertaining to prevailing wages, affirmative action and equal employment opportunity, minority and women-owned business enterprises, disabled access, lead paint, and Hazardous Materials;

- C. Operation. (1) discrimination by Borrower on the basis of characteristics prohibited by this Loan Agreement or applicable law; (2) the imposition of any encumbrances or liens on the Property without Lender's prior written approval that are prohibited under this Loan Agreement or that have the effect of reducing the priority of or invalidating the City Deed of Trust; (3) any material adverse change in the condition of Borrower or the Project or construction financing or funding for the Project that gives Lender reasonable cause to believe that the Project cannot be operated according to the terms of the Loan Documents or the Regulatory Agreement;
- D. General performance of Loan obligations. Any breach by Borrower of any obligations on Borrower imposed in the Loan Documents;
- E. General performance of other obligations. (1) Any breach by Borrower of any obligations on Borrower imposed by this Loan Agreement or any other agreements with respect to the financing, development, or operation of the Project or the Property, whether or not Lender is a party to such agreement; (2) Non-compliance with the Schedule of Performance, attached as Exhibit M, unless specifically permitted by LAHD;

- F. Representations and warranties. A determination by Lender that any of Borrower's representations or warranties made in the Loan Documents, any statements made to Lender by Borrower, or any certificates, documents, or schedules supplied to Lender by Borrower were untrue in any material respect when made, or that Borrower concealed or failed to disclose a material fact from Lender;
- G. Damage to Property. Material damage or destruction to the Property by fire or other casualty, if Borrower does not take steps to reconstruct the Property as required by the Loan Documents;
- H. Bankruptcy, dissolution, and insolvency. Borrower's or any general partner of Borrower or any corporation controlling Borrower's (1) filing for bankruptcy, dissolution, or reorganization, or failure to obtain a full dismissal of any such involuntary filing brought by another party before the earlier of final relief or sixty (60) days after the filing; (2) making a general assignment for the benefit of creditors; (3) applying for the appointment of a receiver, trustee, custodian, or liquidator, or failure to obtain a full dismissal of any such involuntary application brought by another party before the earlier of final relief or ninety (90) days after the filing; (4) insolvency; (5) failure, inability or admission in writing of its inability to pay its debts as they become due.

7.2 **CROSS DEFAULT.** Any breach by Borrower of any obligations on Borrower imposed by this Loan Agreement or any other agreements with respect to the financing, development, or operation of the Project or the Property, whether or not Lender is a party to such agreement, shall constitute an Event of Default under this Loan Agreement and Loan Documents.

7.3 **NOTICE OF DEFAULT AND OPPORTUNITY TO CURE.** For any Event of Default, Lender shall give written notice thereof to Borrower by specifying: (a) the nature of the event or deficiency giving rise to the Default, (b) the action required to cure the deficiency, if an action to cure is possible, and (c) a date, which shall not be less than thirty (30) calendar days (or ten (10) calendar days if the Event of Default is monetary) from the date of receipt of the notice or the date the notice was refused, by which such action to cure must be taken.

Notwithstanding anything to the contrary set forth herein, any "Event of Default" shall not constitute an "Event of Default" for the purposes of this Loan Agreement if the defaulting party cures, corrects or remedies the Event of Default within (a) thirty (30) calendar days (~~ten (10)~~ calendar days if the Event of Default is monetary) from receipt from the non-defaulting party of the aforementioned notice (or refusal thereof), or (b) solely in the event of a nonmonetary Event of Default, if such non-monetary default cannot be reasonably cured within thirty (30) days, such longer period as is necessary to cure such default, provided the defaulting party commences the cure within the thirty (30) day period from receipt (or refusal) of the aforementioned notice and diligently prosecutes such cure to completion.

Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by one or more of Borrower's limited partners shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower.

7.4 LENDER'S REMEDIES.

- A. Upon the happening of an Event of Default by Borrower and a failure to cure said Event of Default within the time specified in section 7.3 above, Lender's obligation to disburse Loan proceeds shall terminate, and Lender may also, in addition to other rights and remedies permitted by the Loan Documents or applicable law, proceed with any or all of the following remedies in any order or combination Lender may choose in its sole discretion:
- (1) Terminate this Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the City Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents including administrative costs, shall immediately become due and payable at the option of Lender;
 - (2) Bring an action in equitable relief (1) seeking the specific performance by Borrower of the terms and conditions of the Loan Documents, and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief;

- (3) Accelerate the Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the City Note, as well as any other monies advanced to Borrower by Lender under the Loan Documents;
- (4) Enter the Property and take any actions necessary in its judgment to complete construction of the Project, including without limitation (1) making changes in the Plans and Specifications or other work or materials with respect to the Project, (2) entering into, modifying, or terminating any contractual arrangements (subject to Lender's right at any time to discontinue work without liability), and (3) taking any remedial actions with respect to Hazardous Materials that Lender deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy;
- (5) Seek appointment from a court of competent jurisdiction of a receiver with the authority to complete construction as needed to preserve Lender's interest in seeing the Project developed in a timely manner (including the authority to take any remedial actions with respect to Hazardous Materials that Lender or the receiver deems necessary to comply with Hazardous Materials Laws or to render the Property suitable for occupancy);
- (6) Order immediate stoppage of construction and demand that any condition leading to the Event of Default be corrected before construction may continue;
- (7) Disburse from Loan proceeds any amount necessary to cure any Monetary Default;
- (8) Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect rents and other amounts specified in the assignment of rents in the City Deed of Trust and apply them to operate the Property or to pay off the Loan or any advances made under the Loan Documents, as provided for by the City Deed of Trust;

- (9) Initiate and pursue any private and/or judicial foreclosure action allowed under applicable law and the power of sale provision in the City Deed of Trust;
 - (10) With respect to defaults under Hazardous Materials provisions herein, pursue the rights and remedies permitted under California Civil Code Section 2929.5, and California Code of Civil Procedure Sections 564, 726.5, and 736; or
 - (11) Pursue any other remedy allowed at law or in equity. Nothing in this section is intended or shall be construed as precluding Lender from proceeding with a non-judicial foreclosure under the power of sale contained in the City Deed of Trust in the Event of Default by Borrower.
- B. Upon an Event of Default, the outstanding principal and interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate of fifteen percent (15%) (to the extent permitted by law), payable from the date of such written declaration until paid in full.
- C. Upon an Event of Default, Lender is entitled to its equity share upon the sale of the property. LAHD will be entitled to a share in any appreciation that has occurred between the acquisition and the time of sale. LAHD's share in the appreciation will be equal to the proportion of the LAHD loan funds used in the purchase of the property or the amount of LAHD loan funds used to repay an acquisition bridge loan. This section 7.4C shall apply until construction has been completed and a Notice of Completion has been issued.

7.5 BORROWER'S REMEDIES. Upon the fault or failure of Lender to meet any of its obligations under the Loan Documents, Borrower may:

- A. Demand payment or a reduction of the City Note from Lender of any sums due Borrower; and/or
- B. Bring an action in equitable relief seeking the specific performance by Lender of the terms and conditions of the Loan Documents; and/or

C. Pursue any other remedy allowed at law or in equity.

ARTICLE 8. GENERAL PROVISIONS

8.1 **TIME.** Time is of the essence in these Loan Documents.

8.2 **CONSTRUCTION OF PROVISIONS AND TITLES HEREIN.** All titles, subtitles, or headings in this Loan Agreement have been inserted for convenience, and shall not be deemed to affect the meaning or construction of any of the terms or provisions hereof. The language of this Loan Agreement shall be construed according to its fair meaning and not strictly for or against the Lender or Borrower. The word "Borrower" herein this Loan Agreement includes the part or parties identified in the Loan Agreement. The singular shall include the plural; if there is more than one Borrower herein, unless expressly stated otherwise, their obligations and liabilities hereunder shall be joint and several. Use of the feminine, masculine, or neuter genders shall be deemed to include the genders not used.

8.3 **RELATIONSHIP OF PARTIES.** The relationship of Borrower and Lender for this Project under this Loan Agreement is and at all times shall remain solely that of a debtor and a creditor, and shall not be construed as a joint venture, equity venture, partnership, or any other relationship. Lender neither undertakes nor assumes any responsibility or duty to Borrower (except as provided for herein) or any third party with respect to the Project, the Property, or the Loan. Except as Lender may specify in writing, Borrower shall have no authority to act as an agent of Lender or to bind Lender to any obligation.

8.4 **ASSIGNMENT AND ASSUMPTION.** Borrower shall not assign any of its interests under this Loan Agreement or the Loan Documents to any other party, except as specifically permitted under the terms of the Loan Documents, without the prior written consent of Lender. Any unauthorized assignment shall be void.

8.5 **BINDING UPON SUCCESSORS.** All provisions of these Loan Documents shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of each of the parties; provided, however, that this section does not waive the prohibition on assignment of this Loan Agreement by Borrower without Lender's consent.

8.6 **CONFLICTS OF INTEREST.** Borrower covenants that none of its directors, officers, employees, or agents shall participate in selecting, or administering any of its subcontracts supported (in whole or in part) by Federal funds where such person is a director, officer, employee or agent of the subcontractor; or where such person knows or should have known that:

1. A member of such person's immediate family or domestic partner, or organization has a financial interest in the subcontract;
2. The subcontractor is someone with whom such person has or is negotiating any prospective employment; or
3. The participation of such persons would be prohibited by the California Political Reform Act, California Government Code Section 87100, et seq., if such person were a public officer, because such person would have a "financial or other interest" in the subcontract.
4. No members of the Board of Directors may be employed by the Contractor if this Contractor is a corporation.

A. Definitions

1. The term "immediate family" includes, but is not limited to domestic partner and/or those persons related by blood, marriage and/or adoption, such as husband, wife, father, mother, brother, sister, son, daughter, father-in-law, mother-in-law, brother-in-law, son-in-law, and daughter-in-law, his or her significant other, and his or her domestic partner.
2. The term "financial or other interest" includes but is not limited to:
 - a. Any direct or indirect financial interest in the specific contract, including a commission or fee, a share of the proceeds, prospect of a promotion or of future employment, a profit, or any other form of financial reward.

- b. Any of the following interests in the subcontractor ownership: partnership interest or other beneficial interest of five percent (5%) or more; ownership of five percent (5%) or more of the stock; employment in a managerial capacity; or membership on the board of directors or governing body.
- B. For further clarification of the meaning of any of the terms used herein, the parties agree that references shall be made to the guidelines, rules, and laws of the City of Los Angeles, State of California, and Federal regulations regarding conflict of interest.
- C. Borrower further covenants that no officer, director, employee, or agent shall solicit or accept gratuities, favors, any thing of monetary value from an actual or potential subcontractor, supplier, a party to a subagreement, (or persons who are otherwise in a position to benefit from the actions of any officer, employee or agent).
- D. Borrower shall not subcontract with a former director, officer, or employee within a one (1) year period following the termination of the relationship between said person and the contractor.
- E. Prior to obtaining the Lender's approval or any subcontract, the Borrower shall disclose to the Lender any relationship, financial or otherwise, direct or indirect, of the Borrower or any of its officers, directors or employees or their immediate family with the proposed subcontractor and its officers, directors or employees. In the event that such a relationship exists, Borrower shall obtain prior approval from Lender for any such subcontract.
- F. Borrower warrants that it has not paid or given and will not pay or give to any third person any money or other consideration for obtaining this Agreement.
- G. Borrower covenants that no member, officer or employee of Borrower shall have any interest, direct or indirect, in any contract or subcontract or the proceeds thereof for work to be performed in connection with this Project during his or her tenure as such employee, member or officer or for one (1) year thereafter.

- H. Borrower may not hire a person in an administrative capacity, staff position, or on-the-job training position with funds provided by this Loan Agreement if a member of that person's immediate family is engaged in an administrative capacity for the Borrower. A person in an administrative capacity is a person who either has an overall administrative responsibility for a program, or has responsibility for the direction, hiring, or fiscal integrity of the Borrower's program.
- I. The Borrower shall incorporate the foregoing subsections of this section into every agreement that it enters into in connection with this Project.
- J. The above restrictions shall apply now and in the future to all activities that are a part of this Loan Agreement and Project and shall cover any such interest or benefits during or at any time after such person's tenure.
- K. Borrower shall comply with the conflict of interest provisions for all sources of funds. This includes, but is not limited to, the provision that no (a) owner, developer or sponsor of the project; (b) officer, employee, agent, consultant or elected or appointed official of the owner, developer or sponsor; or (c) a member of the Immediate Family of such person as described in the definitions above in subsection A, may occupy a unit in the development. If the household seeking to occupy the unit is a lower income household who would otherwise qualify for the unit, written request must be made to City. City may grant an exception on a case-by-case basis in accordance with applicable policies, procedures and regulations.

8.7 **BORROWER'S WARRANTIES.** Borrower represents and warrants (1) that it has access to professional advice and support to the extent necessary to enable Borrower to fully comply with the terms of these Loan Documents and the Regulatory Agreement, and to otherwise carry out the Project in a manner consistent with professional standards practiced among those within Borrower's profession, doing the same or similar work under the same or similar circumstances, (2) that it is duly organized, validly existing and in good standing under the laws of the State of California, (3) that it has the full power and authority to undertake the Project and to execute the Loan Documents, and (4) that the persons executing and delivering the Loan Documents are

authorized to execute and deliver such documents on behalf of Borrower.

8.8 INTELLECTUAL PROPERTY WARRANTY. Borrower represents and warrants that its performance of all obligations under the Loan Documents do not infringe in any way, directly or contributory, upon any third party's intellectual property rights, including, without limitation, patents, copyrights, trademarks, trade secrets, rights of publicity and proprietary information.

8.9 OTHER AGREEMENTS. Borrower represents that it has not and/or will not entered into any agreements that are inconsistent with the terms of the Loan Documents. Borrower shall not enter into any agreements that are inconsistent with the terms of the Loan Documents without an express waiver by Lender in writing.

8.10 PROJECT MONITORING AND EVALUATION. Except as otherwise provided for in this Loan Agreement, Borrower shall maintain and submit records to Lender within ten (10) business days of Lender's request which clearly document Borrower's performance under each requirement of the Loan Documents.

8.11 CONSENTS AND APPROVALS. Any consent or approval of Lender or Borrower required under the Loan Documents shall not be unreasonably withheld. Any approval required under the Loan Documents shall be in writing and executed by an authorized representative of the party granting the approval.

8.12 WAIVER. Any waiver by Lender of any obligation in these Loan Documents must be in writing. No waiver will be implied from any delay or failure by Lender to take action on any breach or default of Borrower or to pursue any remedy allowed under the Loan Documents or applicable law. Any extension of time granted to Borrower to perform any obligation under the Loan Documents shall not operate as a waiver or release from any of its obligations under the Loan Documents. Consent by Lender 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 Lender's written consent to future waivers. A waiver of a default of any part, term or provision of this Contract shall not be construed as a waiver of any succeeding default or as a waiver of the part, term or provision itself. A party's performance after the other party's default shall not be construed as a waiver of that default.

8.13 INTEGRATED AGREEMENT. This Loan Agreement and the other Loan Documents, including exhibits, set forth all of the rights and duties of the parties with respect to the subject matter hereof, and replaces any and all previous agreements or understandings,

whether written or oral, relating thereto. The Loan Agreement and the other Loan Documents may be amended only as provided for herein.

8.14 AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to the Loan Documents must be in writing, and shall be made only if properly executed by both Borrower and Lender. No verbal agreement or conversation with any officer or employee of either party shall affect or modify any terms and conditions of this Agreement.

The Borrower agrees to comply with all future City Directives or any rules, amendments or requirements promulgated by the City affecting this Agreement.

8.15 APPLICABLE LAW, INTERPRETATION AND ENFORCEMENT. Each party's performance hereunder shall comply with all applicable laws of the United States of America, the State of California, and the City. This Loan Agreement shall be enforced and interpreted under the laws of the State of California without regard to conflict of law principles. Borrower shall comply with new, amended, or revised laws, regulations, and/or procedures that apply to the performance of this Loan Agreement.

In any action arising out of this Loan Agreement, Borrower consents to personal jurisdiction, and agrees to bring all such actions, exclusively in state or federal courts located in Los Angeles County, California.

If any part, term or provision of this Loan Agreement is held void, illegal, unenforceable, or in conflict with any law of a federal, state or local government having jurisdiction over this Loan Agreement, the validity of the remaining parts, terms or provisions of the Loan Agreement shall not be affected thereby.

8.16 CONFLICTS BETWEEN CITY DOCUMENTS. In the event that any monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the terms of the City Note and City Deed of Trust shall control. In the event that any monetary provisions of the City Note and City Deed of Trust conflict or in the event that any non-monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the strictest provision shall control.

8.17 **STATUTORY REFERENCES.** All references in the Loan Documents or Regulatory Agreement to particular statutes, regulations, ordinances, or resolutions of the United States, the State of California, or the City of Los Angeles shall be deemed to include the same statute, regulation, ordinance, or resolution as hereafter amended or renumbered, or if repealed, to such other provisions as may thereafter govern the same subject as the provision to which specific reference was made.

8.18 **SEVERABILITY.** Every provision of this Loan Agreement is intended to be severable. If any provision of this Loan Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

8.19 **COMPLIANCE WITH LOS ANGELES CITY CHARTER SECTION 470(c)(12).** The Borrower, its Contractor, Subcontractors, and Principals are obligated to fully comply with City of Los Angeles Charter Section 470(c)(12) and related ordinances, regarding limitations on campaign contributions and fundraising for certain elected City officials or candidates for elected City office if the contract is valued at \$100,000 or more and requires approval of a City elected official. Additionally, Borrower, its Contractor, Subcontractors, and Principals is required to provide and update certain information to the City as specified by law. Any Borrower, its Contractor, Subcontractors, and Principals subject to Charter Section 470(c)(12), shall include the following notice in any contract with a contractor, subcontractor or principal expected to receive at least \$100,000 for performance under this contract:

Notice Regarding Los Angeles Campaign Contribution and Fundraising Restrictions

As provided in Charter Section 470(c)(12) and related ordinances, you are subcontractor on City of Los Angeles contract #_____. Pursuant to City Charter Section 470(c)(12), subcontractor and its principals are prohibited from making campaign contributions and fundraising for certain elected City officials or candidates for elected City office for 12 months after the City contract is signed. Subcontractor is required to provide to contractor names and addresses of the subcontractor's principals and contact information and shall update that information if it changes during the 12 month time period. Subcontractor's information included must be provided to contractor within 5 business days. Failure to comply may result in termination of contract or any other available legal

remedies includes fines. Information about the restrictions may be found at the City Ethics Commission's website at <http://ethics.lacity.org/> or by calling 213/978-1960.

Borrower, its Contractor, Subcontractors, and Principals shall comply with these requirements and limitations. Violation of this provision shall entitle the City to terminate this Agreement and pursue any and all legal remedies that may be available.

8.20 POLITICAL AND SECTARIAN ACTIVITY PROHIBITED. None of the funds, materials, property or services provided directly or indirectly under this Loan Agreement shall be used for any partisan political activity, or to further the election or defeat of any candidate for public office. Neither shall any funds provided under this Agreement be used for any purpose designed to support or defeat any pending legislation or administrative regulation. None of the funds provided pursuant to this Agreement shall be used for any sectarian purpose or to support or benefit any sectarian activity.

8.21 PUBLICITY. Any publicity generated by Borrower for the Project during the term of this Loan and for one (1) year thereafter shall make reference to the contribution of Lender in making the Project possible. The words "The City of Los Angeles" will be prominently displayed in any and all pieces of publicity, including but not limited to flyers, press releases, posters, signs, brochures, public service announcements, interviews, and newspaper articles. Borrower further agrees to cooperate with authorized staff and officials of Lender in any Lender-generated publicity or promotional activities undertaken with respect to the Project.

8.22 NONRECOURSE. This Loan is a nonrecourse obligation of Borrower. Neither Borrower nor any other party shall have any personal liability for repayment of this Loan. The sole recourse of Lender for repayment of the principal and interest shall be the exercise of Lender's rights against the Property. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Lender against all such security for the City Note, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the City Note as demand for money within the meaning of the California Code of Civil Procedure.

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 City Note; except nothing contained in the foregoing is intended to relieve the Borrower of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Borrower in good faith) 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); (3) the Borrower's indemnification obligations under the Loan Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) failure to pay the Lender any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the City Deed of Trust.

8.23 **CRIMINAL PENALTIES.** Any person who diverts funds to a use other than for which the funds were received or submits a false voucher to obtain construction loan funds or submits false financial statements in applying for a loan secured by real property is guilty of a criminal offense punishable by a ten thousand dollar (\$10,000.00) fine plus imprisonment. California Penal Code sections 484b, 484c and 532a & 532f.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]

IN WITNESS WHEREOF, the Lender and the Borrower have caused this Loan Agreement to be executed by their duly authorized representatives.

Lender:

Executed this 1 day of
April, 2013
THE CITY OF LOS ANGELES
Los Angeles Housing Department

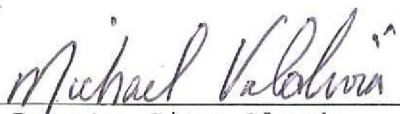
By: 
HELMI HISSERICH,
Assistant General Manager

APPROVED AS TO FORM:
CARMEN A. TRUTANICH, City Attorney

By: 
Deputy Assistant City Attorney

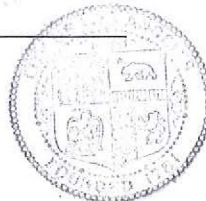
Date: April 2, 2013

ATTEST:
JUNE LAGMAY, City Clerk

By: 
Deputy City Clerk

Date: 4/2/13

C-121978



Borrower:

Executed this 29th day of
MARCH, 2013

NEW PERSHING APARTMENTS, L.P.

A California limited partnership

By: New Pershing Apartments

A California limited liability company


Its: General Partner

By: The Skid Row Housing Trust

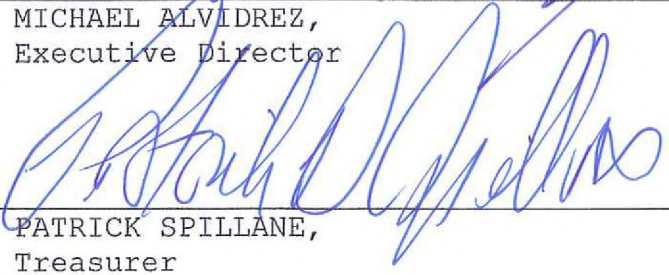
A California nonprofit public benefit corporation

Its: Sole Member and Manager

By:


MICHAEL ALVIDREZ,
Executive Director

By:


PATRICK SPILLANE,
Treasurer

City Business License Number: 755503-14

Internal Revenue Service ID Number

or Social Security Number: 95-4172154

Said Agreement is Number _____ of City Contracts

Council File Number 11-1920

EXHIBIT A
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

LEGAL DESCRIPTION

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 23 AND 24 IN BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

THAT PORTION OF BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHEAST LINE OF MAIN STREET, 80 FEET WIDE, WITH THE PROLONGATION OF THE CENTER LINE OF A PARTY WALL, AS DESCRIBED IN BOOK 1734, PAGE 111, OF DEEDS, RECORDS OF LOS ANGELES COUNTY, SAID INTERSECTION BEING DISTANT SOUTH 37°54'45" WEST 73.87 FEET FROM THE SOUTHEAST CORNER OF FIFTH AND MAIN STREETS; THENCE ALONG SAID PROLONGATION AND CENTER LINE OF THE PARTY WALL, SOUTH 51°57'30" EAST 140.13 FEET TO A POINT IN THE NORTHWEST LINE OF 20 FOOT ALLEY, SAID POINT BEING DISTANT SOUTH 37°56' WEST 73.87 FEET FROM THE SOUTH LINE OF FIFTH STREET; THENCE ALONG SAID ALLEY SOUTH 37°56' WEST 36.27 FEET TO THE CENTER LINE OF A PARTY WALL AS DESCRIBED IN BOOK 1718, PAGE 234, OF SAID DEED RECORDS; THENCE ALONG SAID LAST MENTIONED CENTER LINE AND PROLONGATION THEREOF; NORTH 53°13' WEST 140.12 FEET TO SAID SOUTHEAST LINE OF MAIN STREET; THENCE ALONG MAIN STREET, NORTH 37°54'45" EAST 36.90 FEET TO THE POINT OF BEGINNING.

ASSESSOR'S IDENTIFICATION NUMBERS: 5148-019-010 and 5148-019-011

COMMON ADDRESSES: 108 East 5th Street
(a.k.a.: 502 South Main Street)
Los Angeles, California 90013

BORROWER: NEW PERSHING APARTMENTS, L.P.
A California limited partnership

EXHIBIT B
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in the City Loan Agreement, attached Exhibits, or documents incorporated into this City Loan Agreement by reference.

1. **"ANNUAL FINANCIAL STATEMENT"** means the financial statement of Operating Expenses and Revenues, prepared at Borrower's expense by an independent certified public accountant acceptable to Lender. All annual financial statements submitted by Borrower for the purpose of Residual Receipts calculation are to be presented in the standardized format proscribed in LAHD's Residual Receipts Loan Reporting Requirements and shall form the basis for determining the Residual Receipts.

2. **"AREA MEDIAN INCOME"** means the median income for the Los Angeles Primary Metropolitan Statistical Area (PMSA), with adjustments for household size, as determined from time to time by the U.S. Department of Housing and Urban Development (HUD) pursuant to the United States Housing Act of 1937 as amended, or such other method of median income calculation applicable to the City of Los Angeles that HUD may hereafter adopt in connection with said Act.

3. **"ASSIGNMENT OF ARCHITECT'S CONTRACT AND PLANS AND SPECIFICATIONS AND PERMITS"** means the agreement in the form of Exhibit L.

4. **"ASSISTED UNIT"** means a housing unit on the Property which is supported by HOME Funds.

5. **"BORROWER"** is New Pershing Apartments, L.P., a California limited partnership, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

6. **"BUDGET"** means that budget for the development of the Project attached as Exhibit E.

7. **"CERTIFICATE OF OCCUPANCY"** shall mean such certificate as shall be issued to the Borrower by the City following completion of

the Improvements pursuant to Section 91.109 of the Los Angeles Municipal Code.

8. **"CITY"** means the City of Los Angeles, a municipal corporation.

9. **"CITY DEED OF TRUST"** is that deed of trust, assignment of rents, and security agreement placed on the Property as security for the Loan by Borrower as trustor with City as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust, attached hereto as Exhibit D. The terms of the City Deed of Trust have been incorporated into this City Loan Agreement.

10. **"CITY LOAN"** means the loan of Three Million Five Hundred Thousand Dollars (\$3,500,000) from the City to Borrower, as provided in the City Loan Agreement.

11. **"CITY LOAN AGREEMENT"** means the loan agreement entered into between City and Borrower whereby the City made the City Loan to Borrower.

12. **"CITY NOTE"** is that promissory note executed by Borrower in favor of Lender evidencing the Loan in the amount of Three Million Five Hundred Thousand Dollars (\$3,500,000), which is secured by the City Deed of Trust, as well as any amendments to, modifications of, or restatements of said promissory note, in the form hereto as Exhibit C. The terms of the City Note are hereby incorporated into this City Loan Agreement by this reference.

13. **"CITY'S SHARE"** shall mean twelve and thirty six hundredth percent (12.36%) of the Residual Receipts from the Project.

14. **"COMMENCEMENT OF CONSTRUCTION"** means the time Borrower or Borrower's construction contractor begins substantial physical construction work on the Project at the Property, including site preparatory work, beyond maintenance of the Property in its status quo condition. Such work shall not include work related solely to the remediation of Hazardous Materials.

15. **"ELIGIBLE COSTS"** means those Project costs for which Loan proceeds may be used as specified in the attached Exhibit E, which is hereby incorporated into this Loan Agreement by this reference, and in the Budget as attached and any revisions to the Budget that are approved in writing by Lender. In addition, other items may be Eligible Costs if approved in writing by Lender.

16. **"ELIGIBLE HOUSEHOLD"** means a household that qualifies as a 30% Income, 45% Income and 60% Income Household. For reference purposes, the eligibility income requirements are specified in Exhibit N.

17. **"ESCROW HOLDER"** means the person or entity designated by the Borrower and approved by the Lender to hold all Loan proceeds and documents until receiving written instructions to record the documents and disburse the funds.

18. **"HAZARDOUS MATERIALS"** means any hazardous or toxic substances, materials, wastes, pollutants, or contaminants which are defined, regulated, or listed as "hazardous substances," "hazardous wastes," "hazardous materials," "pollutants," "contaminants," or "toxic substances," under federal or state environmental and health and safety laws and regulations, including without limitation petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, radioactive materials, asbestos, and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating, or occupying a housing project, to the extent and degree that such substances are stored, used, and disposed of in the manner and in amounts that are consistent with normal practice and legal standards.

19. **"HOME FUNDS"** means the HOME Investment Partnerships Program, codified at 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92, to provide funds for affordable housing.

20. **"HOUSEHOLD INCOME"** means the gross amount of income of all Adult Household members that is anticipated to be received during the coming 12-month period determined in accordance with the definition of Annual Income contained in 24 C.F.R. 5.609.

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

22. **"IMPROVEMENTS"** shall mean sixty nine (69) housing units of which one hundred percent (100%) of sixty seven (67) housing units will be affordable to 30% Income, 45% Income and 60% Income Households and two (2) manager's units.

23. **"LAHD"** shall mean the Los Angeles Housing Department of the City of Los Angeles, California.

24. **"LEASE"** means the lease in a form satisfactory to Lender entered into between Borrower and a tenant of a unit in the Project.

25. **"LENDER"** means the City of Los Angeles, a municipal corporation and its authorized representatives, officers, officials, directors, employees, and agents.

26. **"LOAN"** means the loan of funds provided by Lender to Borrower pursuant to this Loan Agreement.

27. **"LOAN AGREEMENT"** and **"CITY LOAN AGREEMENT"** means the loan agreement entered into between Lender and Borrower.

28. **"LOAN DOCUMENTS"** are collectively this Loan Agreement, the City Note, the City Deed of Trust, the Regulatory Agreement, and the UCC-1, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

29. **"MANAGEMENT PLAN"** means Borrower's plan for the operation of the Project. Borrower shall submit its Management Plan for review and approval by the LAHD pursuant to this Loan Agreement.

30. **"MBE/WBE"** means Minority Business Enterprises/Women-Owned Business Enterprises.

31. **"NOTICE OF COMPLETION"** means that notice filed by Borrower evidencing completion of the construction of the Improvements pursuant to the terms of this Loan Agreement.

32. **"OPERATING EXPENSES"** shall mean actual, approved reasonable and customary costs, fees and expenses directly attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including but not limited to a commercially reasonable property management fee; taxes and assessments; payroll and payroll taxes for property employees; insurance; security, painting, cleaning, repairs, and alterations; landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; approved recreational amenities and supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals, and social service cost for supportive services coordination not to exceed Four Thousand Dollars (\$4,000) per unit, annually, excluding

the managers' units for the chronically homeless and not to exceed Two Thousand Two Hundred Fifty Dollars (\$2,250) per unit per year for homeless with special needs. The Operating Expenses shall be reported in the Annual Financial Statement. Expenses for the purpose of calculating residual receipts are subject to LAHD approval and shall be calculated on a cash basis.

33. **"OPERATING RESERVE FUND"** means the fund established pursuant to this Loan Agreement.

34. **"PAYMENT DATE"** shall mean April 1, 2016 for the first payment, and annually thereafter until the City Loan is paid in full or otherwise terminated.

35. **"PLANS AND SPECIFICATIONS"** means the plans and specifications for the construction of the Project approved by Lender as well as any change orders approved by Lender.

36. **"PROJECT"** is the acquisition, predevelopment and construction of an apartment building resulting in a total of sixty nine (69) housing units of which sixty seven (67) housing units affordable to persons or families of 30% Income, 45% Income and 60% Income Households and two (2) manager's units, according to the terms of this City Loan Agreement.

37. **"PROPERTY"** consists of the real property located at 108 East 5th Street (a.k.a.: 502 South Main Street), Los Angeles, California 90013, and more particularly described in the attached Exhibit A, which is incorporated into this Loan Agreement by this reference, and any buildings or Improvements now or hereafter situated on said real properties.

38. **"QUALIFYING HOUSEHOLD"** means a Household Income not exceeding the maximum income level as established in Exhibit N for an Assisted Unit and who is otherwise eligible to rent an Assisted Unit.

39. **"QUALIFYING RENT"** means the maximum rent for an Assisted Unit allowed under this Loan Agreement and the Regulatory Agreement, less an allowance for tenant-paid Utilities as calculated by the Housing Authority of the City of Los Angeles for the Section 8 Rental Assistance Program, and is the consideration, including any bonus, benefits or gratuity, demanded or received by Borrower for or in connection with the use or occupancy of a rental unit, including parking, laundry facilities, and other housing services and amenities of any kind that are reasonably deemed as part of rent by the City. The following is not permissible: (a)

additional service charges resulting in a rent amount above the maximum allowable rent set by this Regulatory Agreement and the Loan Documents; and (b) contracts with other agencies resulting in rent payments on behalf of the tenant for more than the regulatory agreement's qualifying rent, unless the project is designated as a HUD project based rental assisted building.

40. **"REGULATORY AGREEMENT"** means the agreement executed by Borrower and City, attached as Exhibit K, and recorded against the Property prior to or contemporaneously with the Loan which regulates the use of the Project and stipulates, among other things, that the Project shall remain affordable for a minimum of fifty-five (55) years.

41. **"REPLACEMENT RESERVE FUND"** means the fund established pursuant to this Loan Agreement.

42. **"RESIDUAL RECEIPTS"** shall mean Revenues reduced in the following order: (1) Operating Expenses calculated on a cash basis; (2) debt service on senior project debt secured by the senior position deed of trust; (3) mandatory payments to the State of California such as the standard annual debt service payment equal to forty two hundredth percent (0.42%) of the loan principal, if applicable; (4) payments to the Operating Reserve Fund; (5) payments to the Replacement Reserve Fund; (6) payments to the Transition Reserve Fund; (7) repayment of general partner loans; (8) deferred developer fees; and (9) related or third party transactions, including but not limited to partnership management fee, investor service fee, asset management fee, annual partnership review fee, administrative fee, incentive supervisor fee, and/or facility administration fee. The combined total amount of related or third party transactions shall not exceed fifteen thousand dollars (\$15,000) annually or Portfolio Management Guidelines, whichever is greater. Deferred developer fees shall be drawn from project cash flow over the first fifteen (15) years of project operation.

43. **"RESTRICTED UNIT"** means a housing unit on the Property which is reserved for occupancy by a household with a 30% Income, 45% Income and 60% Income, or other designated income as set forth in Exhibit N, and which is designated to be rented at a Qualifying Rent as set forth in Exhibit N.

44. **"REVENUE"** shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees. Syndication proceeds or interest earned on reserves shall not be deemed Revenue.

45. **"SCHEDULE OF PERFORMANCE"** means the Project timeline, attached as Exhibit M. It is the responsibility of Borrower to strictly comply with the Schedule of Performance.

46. **"SOCIAL SERVICE PLAN"** means Borrower's plan for the social services of the Project. Borrower shall submit its Social Service Plan for review and approval by the LAHD pursuant to this Loan Agreement.

47. **"TRANSITION RESERVE FUND"** means the fund established pursuant to this Loan Agreement.

48. **"UTILITIES"** means the provision of electricity, gas, water, sanitation, or other public services.

49. **"60% INCOME HOUSEHOLD"** means an annual Household Income not exceeding sixty percent (60%) of the median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households.

50. **"45% INCOME HOUSEHOLD"** means an annual Household Income not exceeding forty five percent (45%) of the median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households.

51. **"30% INCOME HOUSEHOLD"** means an annual Household Income not exceeding thirty percent (30%) of the median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households.

EXHIBIT C
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

CITY PROMISSORY NOTE
SECURED BY THE CITY DEED OF TRUST
(Residual Receipts)

\$3,500,000

RECITALS

WHEREAS, the City wishes to promote the construction of multifamily rental housing within the City of Los Angeles.

WHEREAS, the City created the 2012 Affordable Housing Trust Fund - Permanent Supportive Housing Program ("AHTF-HLP"), Los Angeles Council File 11-1920.

WHEREAS, the funds provided by the AHTF-HLP are from the Affordable Housing Trust Fund, as contained in Los Angeles Ordinance 173346, adopted on May 23, 2000, Los Angeles Council File 99-1753; chapter title amended by ordinance 174,035, effective July 30, 2001, as Los Angeles Administrative Code Section 5.522; and the Home Investment Partnership Program Funds ("HOME Funds") from the United States Department of Housing and Urban Development ("HUD") pursuant to the Cranston-Gonzales National Housing Act of 1990 for the purpose of expanding the supply of decent, safe, sanitary and affordable housing.

WHEREAS, under the AHTF-HLP, the City issued a loan to the Borrower in the amount of Three Million Five Hundred Thousand Dollars (\$3,500,000) from the City's HOME Funds, loaned to support predevelopment, construction and permanent costs ("City Loan Agreement").

WHEREAS, Borrower shall acquire the real property located at 108 East 5th Street (a.k.a.: 502 South Main Street), Los Angeles, California 90013 (as more particularly described in Exhibit A) (the "Property") for the rehabilitation of an apartment building resulting in sixty nine (69) housing units, of which One Hundred Percent (100%) of sixty seven (67) of the units shall be rented at prices affordable to 30% Income, 45% Income and 60% Income Households and two (2) manager's units, as defined in the City Loan Agreement for the project ("Project").

WHEREAS, part of the consideration for the City Loan from Lender to Borrower shall be this Note secured by the City Deed of Trust in the amount of Three Million Five Hundred Thousand Dollars (\$3,500,000), and compliance with the City Loan Agreement and the Regulatory Agreement:

1. NOW, THEREFORE, FOR VALUE RECEIVED, New Pershing Apartments, L.P., a California limited partnership (the "Borrower"), promises to pay to the order of City of Los Angeles, a municipal corporation ("Lender"), a total principal amount of Three Million Five Hundred Thousand Dollars (\$3,500,000) and all accrued interest thereon or so much as may be advanced to the Borrower pursuant to the City Loan Agreement, dated APRIL 2, 2013, between the Borrower and Lender.
2. The obligation of the Borrower is subject to the terms of the City Loan Agreement, the City Deed of Trust, the Regulatory Agreement, and this Note, executed by the Borrower for the purpose of securing this Note. Said documents are public records on file in the office of the City Clerk, and the provisions of said documents are incorporated herein by this reference.
3. All initially capitalized terms in this Note shall have the definition ascribed to such term in the City Loan Agreement. The following terms are defined in the City Loan Agreement and repeated here for convenience of reference:
 - a. "Annual Financial Statement" means the financial statement of Operating Expenses and Revenues, prepared at the Borrower's expense, by an independent certified public accountant reasonably acceptable to the City, which shall form the basis for determining the Residual Receipts.
 - b. "Operating Expenses" shall mean actual, approved reasonable and customary costs, fees and expenses directly attributable to the operation, recordkeeping, maintenance, taxes and management of the Project, including but not limited to a commercially reasonable property management fee, taxes and assessments; payroll and payroll taxes for property employees; insurance; security; painting, cleaning, repairs, and alterations;

landscaping; sewer charges; utility charges; advertising, promotion and publicity; cable television, satellite and other similar services; office, janitorial, cleaning and building supplies; approved recreational amenities and supplies; purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishing; fire alarm monitoring; fees and expenses of accountants, attorneys, consultants and other professionals, and and social service cost for supportive services coordination not to exceed Four Thousand Dollars (\$4,000) per unit, annually, excluding the managers' units for the chronically homeless and not to exceed Two Thousand Two Hundred Fifty Dollars (\$2,250) per unit per year for homeless with special needs. The Operating Expenses shall be reported in the Annual Financial Statement. Expenses for the purpose of calculating residual receipts are subject to LAHD approval and shall be calculated on a cash basis.

- c. "Payment Date" shall mean April 1, 2016 for the first payment, and annually thereafter until the City Loan is paid in full or otherwise terminated.
- d. "Residual Receipts" shall mean Revenues reduced in the following order: (1) Operating Expenses calculated on a cash basis; (2) debt service on senior project debt secured by the senior position deed of trust; (3) mandatory payments to the State of California such as the standard annual debt service payment equal to forty two hundredth percent (0.42%) of the loan principal, if applicable; (4) payments to the Operating Reserve Fund; (5) payments to the Replacement Reserve Fund; (6) payments to the Transition Reserve Fund; (7) repayment of general partner loans; (8) deferred developer fees; and (9) related or third party transactions, including but not limited to partnership management fee, investor service fee, asset management fee, annual partnership review fee, administrative fee, incentive supervisor fee, and/or facility administration fee. The combined total amount of related or third party transactions shall not exceed fifteen thousand dollars (\$15,000) annually or Portfolio Management Guidelines, whichever is greater. Deferred developer fees

shall be drawn from project cash flow over the first fifteen (15) years of project operation.

- e. "Revenue" shall mean all income derived from the Project, including but not limited to rent from the units, laundry operations, and parking fees. Syndication proceeds or interest earned on reserves shall not be deemed Revenue.
- 4. This Note evidences the obligation of the Borrower to Lender to repay funds loaned to the Borrower to finance a portion of the cost of permanent financing for the Project.
- 5. This Note is payable in lawful money of the United States at the office of Los Angeles Housing Department, 1200 W. 7th Street, 9th Floor, Los Angeles, California 90017, or at such other place as the holder hereof may inform the Borrower in writing.
- 6. This Note shall bear simple interest at the rate of five percent (5%) per annum on the principal amount outstanding from the date of the warrant (Los Angeles City check), until paid. Interest shall be computed based upon a three hundred sixty (360) day year, and a thirty (30) day month.
- 7. Unless sooner due pursuant to this Note, the combined principal of the City Loan and all accrued interest thereon shall be due and payable on the earliest of (a) fifty five (55) years from the date of the execution of this Note, (b) the date the Property is sold or refinanced without City approval, or (c) an Event of Default by Borrower which has not been cured as provided for in the City Loan Agreement. The termination date may be extended at the sole discretion of Lender provided the Borrower agrees to extend the Project Term of the Restricted Units.
- 8. Interest shall be due and payable to Lender for the preceding calendar year on the Payment Date. Interest due and unpaid in any given year shall accrue and be cumulative and shall be paid to Lender from City's Share received in subsequent years.
- 9. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does

not pay when due under the terms of the Loan Agreement or this Note shall bear the simple interest rate of fifteen percent (15%) ("Default Rate") per annum, from the date due until the date paid.

10. On or before each Payment Date, the Borrower shall submit its audited Annual Financial Statements to the City for the preceding fiscal year together with, if any, the City's Share. Failure to do so will result in a default of the loan agreement. Once received on a timely basis, the City shall review and approve such financial statements and share of residual receipts, or request revisions, within ninety (90) days after receipt. In the event that the City determines as the result of its review that there is an understatement in the amount and payment of Residual Receipts due to the City, Borrower shall promptly pay to the City its share of such understatement, but in any event, within thirty (30) days of notice of such understatement. In the event that the City determines that there is an overstatement, the City shall promptly refund the amount to Borrower within thirty (30) days of such determination.

If contested, Borrower is required to pay under protest.

Borrower shall have thirty (30) days from notice of obligation to submit, in writing, any contentions to the City. If the City receives contentions in writing, the City will have thirty (30) days upon receipt to respond.

If no written contentions are received by the City within the thirty (30) days, Borrower is deemed to concur with the obligation.

11. Residual Receipts shall be distributed as follows:
 - a. City shall receive an amount equal to twelve and thirty six hundredth percent (12.36%) of Residual Receipts of the Project,
 - b. State of California shall receive an amount equal to twenty three and seventy four hundredth percent (23.74%) of Residual Receipts of the Project,
 - c. CRA shall receive an amount equal to thirteen and ninety hundredth percent (13.90%) of Residual Receipts of the Project,

- d. Borrower shall receive an amount equal to fifty percent (50%) of Residual Receipts of the Project.
12. City's share of Residual Receipts shall be applied first to pay current annual interest due, then the cumulative interest owed, and then to reduce the principal amount of the City Loan. Upon payment in full of the City Loan, Lender shall have no further right to payment of any portion of Residual Receipts.
13. The City Loan and all current and accrued interest thereon shall be due and payable immediately if the Project, or any portion thereof or interest therein, is sold, transferred, assigned or refinanced otherwise than in accordance with the City Loan Agreement. Leases in accordance with the City Loan Agreement shall not be in violation of the City Loan Agreement. However, upon Lender's approval of purchaser, the City Loan will be fully assumable by said purchaser.
14. The City Loan is a nonrecourse obligation of Borrower. Except for misappropriation of funds, neither the Borrower nor any other party shall have any personal liability for repayment of the City Loan. The sole recourse of Lender under this Note for repayment of the City Loan shall be the exercise of its rights against the Project and related security thereunder. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Lender against all such security for the Notes, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of the Notes as demand for money within the meaning of the California Code of Civil Procedure.

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 Notes; except nothing contained in the foregoing is intended to relieve the Borrower of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Borrower in good faith) 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); (3) the Borrower's indemnification obligations under the Loan

Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) payment to the Lender of any rental income or other income arising with respect to the Property received by the Borrower after the Lender has given notice to the Borrower of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Lender has subordinated the Deed of Trust.

15. The Borrower shall have the right to prepay without penalty the obligation evidenced by this Note, or any part thereof, at any time and from time to time.
16. Subject to City Loan Agreement, Lender, at its option, may declare the City Loan immediately due and payable, together with any accrued interest thereon, if the Borrower fails to fulfill its obligations to Lender under the City Loan Agreement, this Note, City Deed of Trust, or any agreement or instrument executed in connection therewith.
17. All covenants, conditions and agreements contained in the City Deed of Trust, City Loan Agreement, and any Loan Documents in connection to the Project, are hereby made a part of this Note. Upon any Event of Default, as defined in the City Loan Agreement, Lender may exercise any other right or remedy permitted under the Loan Documents.
18. Upon an Event of Default, the outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate of fifteen percent (15%), payable from the date of such declaration until paid in full.
19. Upon an Event of Default, Lender is entitled to its equity share upon the sale of the property. LAHD will be entitled to a share in any appreciation that has occurred between the acquisition and the time of sale. LAHD's share in the appreciation will be equal to the proportion of the LAHD loan funds used in the purchase of the property or the amount of LAHD loan funds used to repay an acquisition bridge loan. This section 19 shall apply until construction has been completed and a Notice of Completion has been issued.

20. In the event that any monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the terms of the City Note and City Deed of Trust shall control. In the event that any monetary provisions of the City Note and City Deed of Trust conflict or in the event that any non-monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the strictest provision shall control.

Borrower:

Executed this 29th day of MARCH, 2013

NEW PERSHING APARTMENTS, L.P.

A California limited partnership

By: New Pershing Apartments

A California limited liability company

Its: General Partner

By: The Skid Row Housing Trust

A California nonprofit public benefit corporation

Its: Sole Member and Manager

By: 

MICHAEL ALVIDREZ,
Executive Director

By: 

PATRICK SPILLANE,
Treasurer

**EXHIBIT D
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)**

NO FEE DOCUMENT

Recording requested by and
when recorded, mail to:

City of Los Angeles
Los Angeles Housing Department
P.O. Box 532729
Los Angeles, CA 90053-2729
Attn: Asset Management (HIMS No. 12-118778)

Assessor's Identification Numbers: 5148-019-010 and 5148-019-011

**CITY DEED OF TRUST
ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT**

(Securing loan of \$3,500,000)

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, AND SECURITY AGREEMENT ("Deed of Trust") is made this 2nd day of APRIL, 2013, by New Pershing Apartments, L.P., a California limited partnership ("Trustor"), to , a California corporation, as trustee ("Trustee"), for the benefit of the City of Los Angeles, a municipal corporation ("Beneficiary"). This Deed of Trust is being executed in order to secure Beneficiary's interest as a governmental agency in ensuring both that public funds loaned for project development are repaid, and that housing projects assisted by public funds are developed and operated in a manner that is consistent with the public interest.

GRANT IN TRUST

1. **GRANT.** Trustor, in consideration of the indebtedness referred to below, hereby irrevocably grants and conveys to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, all of Trustor's interest in the property located at 108 East 5th Street (a.k.a.: 502 South Main Street), Los Angeles, California 90013, and described in the attached Exhibit A, incorporated herein by this reference (the "Property");

TOGETHER WITH all interest, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property; all buildings, structures, fixtures, improvements, signs, and landscaping now or hereafter erected or located on the Property, including all equipment and machinery used for supplying or distributing heating, cooling, electricity, gas, water, air, and light, all kitchen and laundry appliances such as washers, dryers, refrigerators, garbage disposals, ovens, ranges, dishwashers, all plumbing and bathroom fixtures, all security and access control equipment, fire prevention and extinguishment equipment, elevators, floor coverings, window coverings, paneling, cabinets, (provided, however, that Trustor shall have the right to remove, if necessary, such fixtures, furnishings, and equipment for the purpose of replacement with similar items of the same quality performing the same functions, which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased with Loan proceeds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all rents and income generated by the Property or improvements thereon (subject however to the assignment of rents to Lender contained herein); all leases, subleases and rental agreements covering the Property or any portion thereof now existing or hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, or payments of similar nature with respect to such leases, subleases, or rental agreements; all easements and rights-of-way appurtenant to the Property, including parking and recreational easements, and all interests of Trustor in any land lying within the right-of-way of any street, sidewalks, and areas of land adjacent to or used in connection with the Property; all development rights and credits, air rights, water rights, and oil, gas or mineral rights with respect to the Property; all claims or demands with respect to insurance proceeds, and all awards made for a taking by eminent domain; all interests and rights in any private or government grants, subsidies, loans, or other financing with respect to development on the Property; all interests in personal property used in and about the Property (except furniture and other personal property of occupants of dwelling units on the Property); all intangible property and rights relating to the Property or operations on the Property, including trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction on the Property; all architectural, structural, and mechanical plans, specifications, designs, studies, and data with respect to construction of improvements on the Property; all environmental tests, studies and

reports with respect to the Property; all current and future claims and rights of action of Trustor against prior owners and operators of the Property, neighboring property owners and operators, tenants and former tenants, consultants, advisors, and other third parties with respect to environmental or Hazardous Materials contamination and cleanup of the Property under any federal, state, or local ordinances, statutes, regulations, or administrative decisions or common law.

Notwithstanding anything set forth hereinabove to the contrary, the following shall be specifically excluded therefrom: any and all inventory, equipment and articles of personal property or trade fixtures used by Trustor specifically in the operation of Trustor's business, whether or not attached to or installed on the Property, and which may be removed without material injury to the buildings or structures to which they are attached.

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

OBLIGATIONS SECURED

2. **OBLIGATIONS.** Trustor makes this grant for the purpose of securing the following obligations:

- A. Repayment of the indebtedness of Trustor to Beneficiary in the principal sum of Three Million Five Hundred Thousand Dollars (\$3,500,000) with interest thereon (the "Loan") evidenced by a promissory note executed by Trustor as Borrower (the "Note," on file at the offices of Beneficiary, which is hereby incorporated into this Deed of Trust by this reference) or as much as has been disbursed to Trustor therewith, along with any extensions, amendments, modifications, or renewals to the Note; and
- B. Payment of any sums advanced by Beneficiary to protect the security and priority of this Deed of Trust; and
- C. Payment of any sums advanced by Beneficiary following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period, with interest thereon as provided herein; and
- D. Performance of every obligation, covenant or agreement of Trustor contained in this Deed of Trust, the Note, the loan agreement executed between Trustor and Beneficiary

for this loan (the "Loan Agreement", on file at the offices of Beneficiary, which is hereby incorporated into this Deed of Trust by this reference), and the regulatory agreement executed between Trustor and Beneficiary of even date herewith (the "Regulatory Agreement"), including all modifications, extensions and renewals of these obligations; and

- E. Performance of any other obligation or repayment of any other indebtedness of Trustor to Beneficiary, where such evidence of obligation or indebtedness specifically recites that it is secured by this Deed of Trust; and
- F. Performance of any obligations of Trustor in any other agreements with respect to financing of the Project or the Security the absence of which should adversely affect Beneficiary, whether or not Beneficiary is a party to such agreements.

ABSOLUTE ASSIGNMENT OF RENTS AND RIGHT TO POSSESSION

3. **ASSIGNMENT.** As additional security, Trustor hereby assigns to Beneficiary: (a) all of the rents, revenues, profits, and income from the Security, any deposits now or hereafter in Trustor's possession which have been collected with respect to the Security, and any reserve or capital funds now or hereafter held by Trustor with respect to construction or operation of the Security (collectively, the "Rents"); and (b) the right to enter, take possession of, and manage the Security; provided however that Trustor shall have, before an Event of Default, the exclusive right to possess the Security and to collect Rents and use them in accordance with the Loan Documents. This assignment is intended to be an absolute and present transfer of Trustor's interest in existing and future Rents, effective as of the date of this Deed of Trust.

4. **ENFORCEMENT.** Upon the happening of an Event of Default which remains uncured after expiration of the applicable cure period pursuant to the terms of the Loan Agreement or other Loan Documents, and written notice to Trustor, Beneficiary may, in addition to other rights and remedies permitted by the Loan Agreement, this Deed of Trust, or applicable law, (a) enter upon, take possession of, and manage the Security, either in person as a mortgagee-in-possession, by agent, or by a receiver appointed by a court, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Security, (b) collect all Rents, including those past due and unpaid, and

apply the same to pay for the costs and expenses of operation of the Security, including attorneys' fees, and pay off any indebtedness secured by this Deed of Trust, all in such order as Beneficiary may determine, (c) enter upon and take possession of the Security, and complete construction of any improvements on the Security as provided for in the Plans and Specifications approved under the Loan Agreement or any modifications to the Plans and Specifications or the Project that Beneficiary in its sole discretion believes is appropriate, and/or (d) Beneficiary may make, cancel, enforce, and modify leases and rental agreements, obtain and evict tenants, set and modify rent terms, sue for rents due, enter into, modify, or terminate any contracts or agreements, or take any legal action, as it deems necessary with respect to the Rents or to development or operation of the Security.

5. **APPOINTMENT OF A RECEIVER.** In any action to enforce this assignment, Beneficiary may apply for the appointment of a receiver to take possession of the Security and take whatever measures are necessary to preserve and manage the Security for the benefit of Beneficiary and the public interest. Trustor hereby consents to the appointment of a receiver. The receiver shall have all of the authority over the Security that Beneficiary would have if Beneficiary took possession of the Security under this assignment as a mortgagee-in-possession, including the right to collect and apply Rents and the right to complete construction of improvements.

6. **NO WAIVER OF POWER OF SALE.** The entering upon and taking possession of the Security and the collection of Rents shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or notice of default and, notwithstanding the continuance in possession of the Security or the collection and application of Rents, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust or by law upon occurrence of any Event of Default, including the right to exercise the power of sale.

COMMERCIAL CODE SECURITY AGREEMENT

7. **GRANT.** This Deed of Trust is intended to be a security agreement and financing statement pursuant to the California Commercial Code for any of the items specified above as part of the Security which under applicable law may be subject to a security interest pursuant to the Commercial Code, and Trustor hereby grants Beneficiary a security interest in said items. Beneficiary may file a copy of this Deed of Trust in the real estate records or other appropriate index as a financing statement for any of the

items specified as part of the Security. Trustor shall execute and deliver to Beneficiary at Beneficiary's request any financing statements, as well as extensions, renewals, and amendments thereof, and copies of this instrument in such form as Beneficiary may require to perfect a security interest with respect to said items. Trustor shall pay all costs of filing such financing statements and shall pay all reasonable costs of any record searches for financing statements and releases. Without the prior written consent of Beneficiary, Trustor shall not create or permit any other security interest in said items.

8. **REMEDIES.** Upon occurrence of an Event of Default by Trustor on any obligation or agreement in the Loan Documents, Beneficiary shall have the remedies of a secured party under the Commercial Code and at Beneficiary's option may also invoke the remedies provided for elsewhere in this Deed of Trust with respect to said items. Beneficiary may proceed against the items of real property and personal property specified above separately or together and in any order whatsoever.

RIGHTS AND OBLIGATIONS OF TRUSTOR

9. **PERFORMANCE OF SECURED OBLIGATION.** Trustor shall promptly perform each obligation secured by this Deed of Trust.

10. **PAYMENT OF PRINCIPAL AND INTEREST.** Trustor shall promptly pay when due the principal and interest on the indebtedness evidenced by the Note.

11. **MAINTENANCE OF THE SECURITY.** Trustor shall, at the Trustor's own expense, maintain and preserve the Security or cause the Security to be maintained and preserved in good condition, in good repair, and in a decent, safe, sanitary, habitable and tenantable condition. Trustor shall not cause or permit any violations of any laws, ordinances, regulations, covenants, conditions, restrictions, or equitable servitudes as they pertain to improvements, alterations, maintenance or demolition on the Security. Trustor shall not commit or permit waste on or to the Security. Trustor shall not abandon the Security. Beneficiary shall have no responsibility over maintenance of the Security. In the event Trustor fails to maintain the Security in accordance with the standards in this Deed of Trust, the Loan Agreement, or the Regulatory Agreement, Beneficiary, after at least seven (7) calendar days prior written notice to Trustor and after any applicable cure periods, may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for

payment thereof. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this Deed of Trust.

12. **INSPECTION OF THE SECURITY.** Trustor shall permit Beneficiary to enter and inspect the Security for compliance with these obligations upon twenty four (24) hours advance notice of such visit by Beneficiary to Trustor or Trustor's management agent.

13. **LIENS, ENCUMBRANCES, AND CHARGES.** Trustor shall discharge any lien or encumbrance not approved by Beneficiary in writing that may attain priority over this Deed of Trust, as provided for in the Loan Agreement.

14. **DEFENSE AND NOTICE OF CLAIMS AND ACTIONS.** Trustor shall appear in and defend, at its own expense, any action or proceeding purporting to affect the Security and/or the rights of Beneficiary. Trustor shall give Beneficiary and Trustee prompt notice in writing of the assertion of any claim, of the filing of any action or proceeding and of any condemnation offer or action with respect to the Security.

15. **SUITS TO PROTECT THE SECURITY.** Following reasonable notice to Trustor, Beneficiary shall have power to institute and maintain such suits and proceedings as it may deem expedient (a) to prevent any impairment of the Security or the rights of Beneficiary, (b) to preserve or protect its interest in the Security and in the Rents, and (c) to restrain the enforcement of or compliance with any governmental legislation, regulation, or order, if the enforcement of or compliance with such legislation, regulation, or order would impair the Security or be prejudicial to the interest of Beneficiary.

16. **DAMAGE TO SECURITY.** Trustor shall give Beneficiary and Trustee prompt notice in writing of any damage to the Security. If any building or improvements erected on the Property is damaged or destroyed by an insurable cause, Trustor shall, at its cost and expense, repair or restore said buildings and improvements consistent with the original plans and specifications. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be complete within one (1) year thereafter. All 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, Trustor shall make up the deficiency.

17. **TITLE.** Trustor warrants that Trustor lawfully has legal title to the Security without any limitation on the right to encumber.

18. **GRANTING OF EASEMENTS.** Trustor may not grant easements, licenses, rights-of-way or other rights or privileges in the nature of easements with respect to the Security except those required or desirable for installation and maintenance of public utilities including water, gas, electricity, sewer, cable television, telephone, or those required by law.

19. **TAXES AND LEVIES.** Trustor shall pay prior to delinquency, all taxes, fees, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security. However, Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any contested liabilities. In the event that Trustor fails to pay any of the foregoing items, Beneficiary may, but shall be under no obligation to, pay the same, after Beneficiary has given written notice to Trustor of such failure to pay and Trustor fails to fully pay such items within seven (7) business days after receipt of such notice. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this Deed of Trust.

20. **INSURANCE.** Trustor shall provide such insurance as required under the Loan Agreement and the Regulatory Agreement. In the event Trustor fails to maintain the full insurance coverage required by this Deed of Trust, Beneficiary, after at least seven (7) business days prior written notice to Trustor, may, but shall be under no obligation to, take out the required policies of insurance and pay the premiums on such policies. Any amount so advanced by Beneficiary, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Note (unless payment of such an interest rate would be

contrary to applicable law, in which event such sums shall bear interest at the highest rate then allowed by applicable law), shall become an additional obligation of Trustor to Beneficiary and shall be secured by this Deed of Trust.

21. **CONDEMNATION.** All judgments, awards of damages, settlements and compensation made in connection with or in lieu of taking all or any part of or interest in the Security under assertion of the power of eminent domain ("Funds") are hereby assigned to and shall be paid to Beneficiary. Beneficiary is authorized (but not required) to collect and receive any Funds and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Beneficiary shall determine at its sole option. All or any part of the amounts so collected and recovered by Beneficiary may be released to Trustor upon such conditions as Beneficiary may impose for its disposition. Application of all or any part of the Funds collected and received by Beneficiary or the release thereof shall not cure or waive any default under this Deed of Trust.

Notwithstanding anything to the contrary set forth herein, Beneficiary shall, prior to the application of the Funds or any portion thereof to the indebtedness or other obligations, apply such portion of the Funds as is reasonable and necessary to repair and preserve the value, marketability and rentability of the Security.

22. **ACCELERATION ON TRANSFER OF SECURITY; ASSUMPTION.** In the event that Trustor, without the prior written consent of the Beneficiary, sells, agrees to sell, transfers, or conveys its interest in the Security or any part thereof or interest therein, Beneficiary may at its option declare all sums secured by this Deed of Trust to be immediately due and payable. This option shall not apply in case of:

- A. the grant of a tenant, leasehold, or fee interest to qualifying households who will occupy Project units as provided for under the Loan Documents and the Regulatory Agreement; or
- B. sale or transfer of fixtures or personal property pursuant to the grant provisions in this Deed of Trust; Consent to one (1) sale or transfer shall not be deemed to be a waiver of the right to require such consent to future or successive transactions.

23. **RECONVEYANCE BY TRUSTEE.** This trust is intended to continue for the entire term of the Loan Documents. Upon written request of Beneficiary stating that all obligations secured by this Deed of Trust have been paid and performed, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey the Security to Trustor, or to the person or persons legally entitled thereto.

DEFAULT AND REMEDIES

24. **EVENTS OF DEFAULT.** Any of the events listed in the Loan Agreement as an Event of Default shall also constitute an Event of Default under this Deed of Trust, including, but not limited to, (1) Trustor's failure to pay when due any sums payable under this Deed of Trust, the Note, or the Loan Agreement; (2) Trustor's failure to observe or to perform any of its other covenants, agreements or obligations under this Deed of Trust, the Note, or the Loan Agreement; or (3) Trustor's failure to make any payment or perform any of its other covenants, agreements, or obligations under any other agreement with respect to financing for the Project or the Security, whether or not Beneficiary is a party to such agreement.

Notwithstanding anything to the contrary set forth herein, any "Event of Default" described hereinabove shall not constitute an "Event of Default" for the purposes of this Deed of Trust or any other Loan Document if the defaulting party cures, corrects or remedies the Event of Default within (a) thirty (30) calendar days (ten (10) calendar days if the Event of Default is monetary) from receipt from the non-defaulting party of notice pursuant to the terms of the Loan Agreement, or (b) solely in the event of a non-monetary Event of Default, if such non-monetary default cannot be reasonably cured within thirty (30) days, such longer period as is necessary to cure such default, provided the defaulting party commences the cure within the thirty (30) day period from receipt of the aforementioned notice and diligently prosecutes such cure to completion.

Notwithstanding anything to the contrary contained herein, the Beneficiary hereby agrees that any cure of any default made or tendered by one or more of Trustor's limited partners shall be deemed to be a cure by Trustor and shall be accepted or rejected on the same basis as if made or tendered by Trustor.

25. **ACCELERATION OF MATURITY.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the Loan Agreement, Beneficiary may declare all sums advanced to Trustor under the Note and this Deed of Trust immediately due and payable.

26. **BENEFICIARY'S REMEDIES.** Upon the happening of an Event of Default which has not been cured within the times and in the manner provided in the Loan Agreement, Beneficiary may, in addition to other rights and remedies permitted by the Loan Agreement, the Note, or applicable law, proceed with any or all of the following remedies:

- A. Enforce the assignment of rents and right to possession as provided for in this Deed of Trust, and/or seek appointment of a receiver to take over possession of the Security and collect Rents;
- B. Enter the Security and take any actions necessary in its judgment to complete construction on the Security as permitted under the Assignment of Development Rights executed by Trustor (on file with Beneficiary) and the assignment of rents and right to possession in this Deed of Trust, either in person or through a receiver appointed by a court;
- C. Disburse from Loan proceeds any amount necessary to cure any Monetary Default under this Deed of Trust, the Loan Agreement, or the Note;
- D. Commence an action to foreclose this Deed of Trust pursuant to California Code of Civil Procedure Sections 725a, et seq., and/or seek appointment of a receiver from a court of competent jurisdiction with the authority to protect Beneficiary's interests in the Security, including the authority to complete construction of improvements;
- E. Deliver to Trustee a written declaration of Default and demand for sale, and a written Notice of Default and election to cause Trustor's interest in the Security to be sold, which notice Trustee or Beneficiary shall duly file for record in the Official Records of Los Angeles County, and exercise its power of sale as provided for below; or

F. Pursue any other rights and remedies allow at law or in equity.

27. **FORECLOSURE BY POWER OF SALE.** Should Beneficiary elect to foreclose by exercise of the power of sale contained in this Deed of Trust, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust (the deposit of which shall be deemed to constitute evidence that the unpaid sums disbursed under the Note are immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

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

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

After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale as follows: (i) first, to the payment of all sums then secured by this Deed of Trust, in such order and amounts as Beneficiary in its sole discretion determines, and (ii) the remainder, if any, to the person or persons legally entitled thereto.

28. **REMEDIES CUMULATIVE.** No right, power or remedy conferred upon or reserved to Beneficiary by this Deed of Trust is intended to be exclusive of any other rights, powers or remedies, but each such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

GENERAL PROVISIONS

29. **GOVERNING LAW.** This Deed of Trust shall be interpreted under and governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

30. **STATEMENT OF OBLIGATION.** Beneficiary may collect a fee not to exceed the maximum allowable under applicable law for furnishing a statement of obligations as provided in the California Civil Code.

31. **CONSENTS AND APPROVALS.** Any consent or approval of Beneficiary required under this Deed of Trust shall not be unreasonably withheld.

32. **TIME.** Time is of the essence in this Deed of Trust.

33. **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Trustor and Beneficiary shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Trustor and Beneficiary as follows:

Beneficiary: City of Los Angeles Housing Department
P.O. Box #532729
Los Angeles, CA 90053-2729
Attention: Asset Management

Copy to:
Director of Major Projects Division

Trustor: New Pershing Apartments, L.P.
1317 East 7th Street
Los Angeles, California 90021
Attention: Executive Director

Copy to investor limited partner:
NEF Assignment Corporation
120 South Riverside Plaza, 15th Floor
Chicago, Illinois 60606
Attention: Sr. Vice President, Asset Management

34. **BINDING UPON SUCCESSORS.** All provisions of this Deed of Trust shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Trustor, Trustee, and Beneficiary.

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

36. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Deed of Trust must be in writing, and shall be made only if mutually agreed upon by Beneficiary and Trustor.

37. **CONFLICTS BETWEEN CITY DOCUMENTS.** In the event that any monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the terms of the City Note and City Deed of Trust shall control. In the event that any monetary provisions of the City Note and City Deed of Trust conflict or in the event that any non-monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the strictest provision shall control, except that Trustor shall have no defense or claim that this instrument does not establish a valid lien on the Property or Security.

38. **DEFINITIONS.** Capitalized terms not otherwise defined in this Deed of Trust shall have the same meaning as defined terms in the Loan Agreement.

39. **PROOFS OF CLAIM.** In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, recomposition or other proceedings affecting Trustor, its creditors or its property, Trustee, to the extent permitted by law, shall be

entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of Beneficiary allowed in such proceedings and for any additional amount which may become due and payable by Trustor hereunder after such date.

40. **SEVERABILITY.** Every provision of this Deed of Trust is intended to be severable. If any term or provision of this Deed of Trust is declared to be illegal, invalid, or unenforceable by a court of competent jurisdiction, the legality, validity, and enforceability of the remaining provisions shall not be affected. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt and all payments made on the debt (whether voluntary or under foreclosure or other enforcement action or procedure) shall be considered to have been first paid or applied to the payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

41. **SUBSTITUTION OF TRUSTEES.** Beneficiary may from time to time appoint another trustee to act in the place and stead of Trustee or any successor. Upon such appointment and without conveyance, the successor trustee shall be vested with all title, powers, and duties conferred upon Trustee. Each such appointment and substitution shall be made by a written instrument executed by Beneficiary containing reference to this Deed of Trust and its place of record, which when duly recorded in the Los Angeles County Office of the Recorder shall be conclusive proof of proper appointment of the successor trustee.

42. **ACCEPTANCE BY TRUSTEE.** Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law, the Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

43. **NONRECOURSE.** The loan secured by this Deed of Trust is a nonrecourse obligation of Trustor. Neither Trustor nor any other party shall have any personal liability for repayment of the Loan. The sole recourse of Beneficiary for repayment of the Principal and interest shall be the exercise of Beneficiary's rights against the Property. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the Beneficiary against all such security for the City Notes, or (b) be deemed in any way to impair

the right of the Beneficiary to assert the unpaid principal amount of the City Notes as demand for money within the meaning of the California Code of Civil Procedure.

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 Notes; except nothing contained in the foregoing is intended to relieve the Trustor of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Trustor in good faith) 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); (3) the Trustor's indemnification obligations under the Loan Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) failure to pay to the Beneficiary any rental income or other income arising with respect to the Property received by the Trustor after the Beneficiary has given notice to the Trustor of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the Beneficiary has subordinated the City Deed of Trust.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]

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

Trustor:

Executed this 29th day of
MARCH, 2013

NEW PERSHING APARTMENTS, L.P.

A California limited partnership

By: New Pershing Apartments

A California limited liability company

Its: General Partner

By: The Skid Row Housing Trust

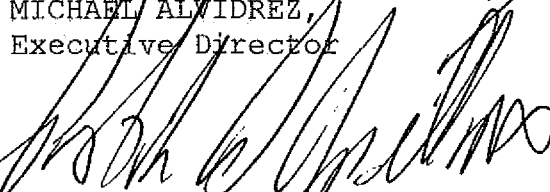
A California nonprofit public benefit corporation

Its: Sole Member and Manager

By:


MICHAEL ALVIDREZ,
Executive Director

By:


PATRICK SPILLANE,
Treasurer

ACKNOWLEDGMENT

State of California
County of Los Angeles)

On March 29, 2013 before me, Marilyn Bruce, Notary Public
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.



Signature Marilyn Bruce (Seal)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

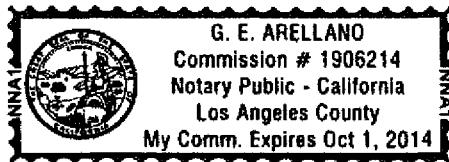
State of California

County of Los Angeles

On 03/28/13 before me, G.E. Arellano, Notary Public

personally appeared Patrick Spillane

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



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

WITNESS my hand and official seal.

Signature: G. Arellano

Signature of Notary Public

Place Notary Seal Above

OPTIONAL

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

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

☐ Corporate Officer — Title(s): _____

☐ Individual

☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

Signer's Name: _____

☐ Corporate Officer — Title(s): _____

☐ Individual

☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other: _____

Signer Is Representing: _____


RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

Beneficiary:

Executed this 1 day of April, 2013

THE CITY OF LOS ANGELES
Los Angeles Housing Department

By: 
HELMI HISSERRICH,
Assistant General Manager

APPROVED AS TO FORM:
CARMEN A. TRUTANICH, City Attorney

By: _____
Deputy/Assistant City Attorney

Date: _____

ATTEST:
JUNE LAGMAY, City Clerk

By: _____
Deputy City Clerk

Date: _____

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of Los Angeles

On April 1, 2013 before me, Angelica Nuñez, Notary Public
(Here insert name and title of the officer)

personally appeared Helmi Hisserich

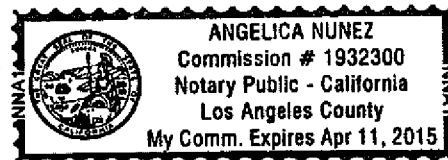
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s),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

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

WITNESS my hand and official seal.

Angelica Nuñez
Signature of Notary Public

(Notary Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

Deed of Trust

(Title or description of attached document)

New Pershing Apts

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

- ☐ Individual (s)
☐ Corporate Officer

(Title)

- ☐ Partner(s)
☐ Attorney-in-Fact
☐ Trustee(s)
☐ Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they, is /are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

**EXHIBIT A
DEED OF TRUST
(NEW PERSHING APARTMENTS PROJECT)**

LEGAL DESCRIPTION

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 23 AND 24 IN BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

THAT PORTION OF BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHEAST LINE OF MAIN STREET, 80 FEET WIDE, WITH THE PROLONGATION OF THE CENTER LINE OF A PARTY WALL, AS DESCRIBED IN BOOK 1734, PAGE 111, OF DEEDS, RECORDS OF LOS ANGELES COUNTY, SAID INTERSECTION BEING DISTANT SOUTH 37°54'45" WEST 73.87 FEET FROM THE SOUTHEAST CORNER OF FIFTH AND MAIN STREETS; THENCE ALONG SAID PROLONGATION AND CENTER LINE OF THE PARTY WALL, SOUTH 51°57'30" EAST 140.13 FEET TO A POINT IN THE NORTHWEST LINE OF 20 FOOT ALLEY, SAID POINT BEING DISTANT SOUTH 37°56' WEST 73.87 FEET FROM THE SOUTH LINE OF FIFTH STREET; THENCE ALONG SAID ALLEY SOUTH 37°56' WEST 36.27 FEET TO THE CENTER LINE OF A PARTY WALL AS DESCRIBED IN BOOK 1718, PAGE 234, OF SAID DEED RECORDS; THENCE ALONG SAID LAST MENTIONED CENTER LINE AND PROLONGATION THEREOF; NORTH 53°13' WEST 140.12 FEET TO SAID SOUTHEAST LINE OF MAIN STREET; THENCE ALONG MAIN STREET, NORTH 37°54'45" EAST 36.90 FEET TO THE POINT OF BEGINNING.

ASSESSOR'S IDENTIFICATION NUMBERS: 5148-019-010 and
5148-019-011

COMMON ADDRESSES: 108 East 5th Street
(a.k.a.: 502 South Main Street)
Los Angeles, California 90013

BORROWER: New Pershing Apartments, L.P.
A California limited partnership

EXHIBIT E
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

BUDGET AND ELIGIBLE COSTS

I. Use of HOME Funds totaling \$3,500,000:

- | | | |
|----|----------------------|----------------------------------|
| A. | Predevelopment Costs | \$ 820,141 |
| B. | Construction Costs | \$ 2,679,859 |
| C. | Permanent Costs | (All Previously Disbursed Funds) |

and any other items approved in writing by Lender.

Note: Project costs which were incurred before this Loan was approved by the LAHD are also eligible for reimbursement, if appropriately documented and approved, by the LAHD.

Undisbursed Loan funds in one category or line item (e.g., insurance costs) may not be applied to another category or line item (e.g., interest reserve) unless the Budget expressly and specifically allows such use or Lender consents to the specific use in writing.

EXHIBIT F
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

METHOD OF FINANCING

Total Development Cost for the Project is \$31,613,821.

The anticipated interim and permanent sources of funding for the Project are as follows:

A. Interim Financing:

Bank of America	\$16,111,760
LAHD (City Loan)	\$ 3,500,000
CRA/LA (Recast Loan)	\$ 3,936,760
HCD (Recast Loan)	\$ 2,184,364
Deferred Costs	\$ 4,063,329
GP Equity	\$ 100
Tax Credit Equity	<u>\$ 1,817,508</u>
Total Interim Financing	\$31,613,821

B. Permanent Financing:

CCRC	\$ 1,000,000
HCD - MHP SH	\$ 4,538,695
LAHD (City Loan)	\$ 3,500,000
CRA/LA (Recast Loan)	\$ 3,936,760
HCD (Recast Loan)	\$ 2,184,364
Deferred Developer Fee	\$ 940,101
GP Equity	\$ 100
Tax Credit Equity	<u>\$15,513,801</u>
Total Permanent Financing	\$31,613,821

Borrower shall promptly inform Lender of any changes in the amount, terms, and/or sources of financing or funding for the Project. Unless otherwise approved by Lender, any increases in a financing source shall be utilized to reduce the Loan amount where feasible. Unless otherwise approved by Lender, any cost savings and unused contingency funds shall be utilized to reduce Lender's loan.

Deferred developer fees shall be drawn from project cash flow over the first fifteen (15) years of project operation.

EXHIBIT G
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

LOAN DISBURSEMENT

A. CONDITIONS PRECEDENT TO ACQUISITION, PREDEVELOPMENT, AND CONSTRUCTION DISBURSEMENTS. Lender shall not be obligated to make any disbursements of Loan proceeds or take any other action under the Loan Documents unless all of the following applicable conditions precedent are satisfied:

1. Documents reflecting the Partnership's good standing and evidence that all necessary actions have been taken by the Partnership to authorize the execution of this Loan Agreement and a copy of the Partnership's Fictitious Business Name Statement, if any, as published and filed with the Clerk of Los Angeles County; and specimen signatures.
2. Borrower must submit to Lender all documents reflecting the Limited Liability Company's good standing and evidence that all necessary actions have been taken by the Limited Liability Company to authorize the execution of the Loan Agreement and a copy of the Limited Liability Company's Fictitious Business Name Statement, if any, as published and filed with the Clerk of Los Angeles County.
3. Borrower has submitted for review and approval by LAHD, all corporate and tax related agreements, including but not limited to certified copy of articles of incorporation, by-laws, the organizational minutes of the corporation's board of directors, certificate of status of good standing of the corporation issued by the California Secretary of State, as well as Board of Director's resolution authorizing the Loan.
4. Borrower shall submit financial statements, reviewed by a certified public accountant, for Lender's review and approval.
5. The financial condition of the Borrower has not materially and adversely changed since the application for the Loan.

6. Borrower shall execute and deliver to Lender all documents, instruments, and policies required under the Loan Documents, including but not limited to the City Note, City Deed of Trust, and the Regulatory Agreement.
7. Borrower shall comply with all reporting requirements set forth in this Loan Agreement.
8. There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default.
9. Borrower shall submit, for the City's approval, a phase I toxic assessment for the Property.
10. Receipt of an environmental clearance. Borrower shall also submit to Lender a complete subsurface report.
11. Borrower shall submit evidence of site control and verification that site control will be maintained until acquisition of the Property.
12. Borrower shall submit, for City's approval, an appraisal for the Property showing that the Property is valued in at least the amount of the portion of the Loan that is for the purchase of the Property.
13. Borrower shall comply with Los Angeles Municipal Code section 96.300, Form 9a, Report of Residential Property Records and Pending Special Assessment Liens.
14. Borrower shall take and maintain ownership of the property with free and clear title except for LAHD approved encumbrances.
15. Borrower shall deliver to Lender an ALTA lender's policy of title insurance, ensuring the Lender's interest in the Project, from a title insurance company approved by the Lender in a form acceptable to Lender.
16. Borrower shall provide, maintain and deliver to the City a certificate of insurance or copy of the insurance policy, which policy shall be satisfactory to the City, with loss payable to the City in addition to the Borrower. Borrower shall submit evidence of insurance on City-approved forms. Failure to maintain

the required liability and hazard insurance shall be considered a default under the City Loan Agreement.

17. Borrower shall submit for Lender's review and approval executed commitments for all sources of financing, and may only have contingencies that are clearly within the Borrower's control to satisfy.
18. Lender shall have the right to review, approve, and require changes to all design drawings. The architect and Borrower shall follow the LAHD Design Review Process as outlined in the AHTF NOFA: Submittal Requirements for Architectural Review.
19. Borrower shall submit evidence that the Project conforms to City zoning requirements, or evidence that the Project will comply with the City zoning requirements within Two Hundred Seventy (270) days of the award of tax credits.
20. Borrower shall submit Plans and Specifications and any changes thereto acceptable to Lender.
21. Borrower shall submit, for Lender's review and approval, all service contracts including the architect, financial consultants, attorney, planning consultant and any other Project related service contracts. No disbursements will be processed for services whose contracts were not approved by LAHD in advance and/or which are not in compliance with the budget submitted to LAHD and TCAC.
22. Borrower shall deliver a preliminary Management Plan acceptable to the Lender.
23. Borrower shall receive a preliminary Federal tax credit allocation of at least One Million Five Hundred Thirty One Thousand Four Hundred Seventy One Dollars (\$1,531,471), annually for the next ten years.
24. Borrower shall provide a letter of intent from Tax Credit Investors for the purchase of tax credits at a minimum of One Dollar and Four Cents (\$1.04) per tax credit dollar.
25. Borrower shall submit for Lender's review and approval all Project design and architectural development phases

of the Project. Lender will disburse funds as each architectural phase is completed and approved by Lender.

26. Borrower shall submit for Lender's review and approval a scope of work with qualities and location of work to be completed, or a complete set of working drawings for the purpose of facilitating a cost estimate by the Lender.
27. LAHD shall approve the final construction cost breakdown, the construction contract(s), the contractor and any change orders related to the construction of the Project.
28. Borrower shall submit, for Lender's review and approval, all Project invoices and receipts prior to reimbursement of previously incurred costs and future disbursements.
29. Borrower shall submit a construction schedule satisfactory to Lender as listed in Exhibit M, the Schedule of Performance. Noncompliance with this schedule, unless specifically permitted by LAHD, shall be considered a default under the City Loan Agreement.
30. Borrower shall submit verification of the total development costs. The total development costs, the developer fee and contractor's overhead and profit may not differ by more than five percent (5%) from the amount indicated in the development cost schedule that was submitted by the Borrower.
31. Borrower shall be responsible for all cost overruns. Any increases in excess of the Project contingencies will be absorbed by the developer's fee or other sources secured by Borrower and approved by Lender.
32. Borrower shall submit an executed Certification and Disclosure Regarding Lobbying, as required by 24 CFR 87.110, attached as Exhibit H, and incorporated into this Loan Agreement by this reference.
33. Borrower shall submit an executed Certification Regarding Ineligibility, Suspension and Debarment, as required by Executive Order 12549, attached as Exhibit

I, and incorporated into this Loan Agreement by this reference.

34. Borrower shall deliver an Affirmative Action and MBE/WBE Plan acceptable to Lender.
35. Borrower shall comply with the American with Disabilities Act.
36. Borrower shall comply with the Living Wage Ordinance and Service Contract Worker Retention Ordinance, Uniform Federal Accessibility Standards, Section 504 of the Rehabilitation Act of 1973, and Fair Housing Act, as certified by the Projects Architect.
37. Borrower shall comply with the Child Support Compliance.

B. ADDITIONAL CONDITIONS PRECEDENT TO DISBURSEMENTS OF ANY LOAN PROCEEDS. Prior to disbursement of any proceeds of the City Loan or proceeds of any other loan, Borrower shall comply with the following:

1. Borrower shall simultaneously submit identical copies of a request for disbursement ("Disbursement Request"), as well as: (i) waivers and lien releases for work or services performed and releases of stop notices and mechanic's liens if applicable; (ii) all documents evidencing compliance with the labor compliance requirements, pursuant to the City Loan Documents, and (iii) any items required by City to clear any deficiencies from the previous month's compliance review. Items (ii) and (iii) shall be collectively referred to herein as the "Compliance Submittal" and should only be forwarded to the City's Contract Compliance Unit. The Disbursement Request shall specify the line item for which the requested funds will be used and shall also specify the source of such funds.
2. Prior to submission of any Disbursement Request, Borrower must have cleared all outstanding deficiency items identified in the Contract Compliance Notice from the previous month. Borrower shall require the general contractor to keep payroll records current. In the event the Contract Compliance Unit disapproves the Disbursement Request for non-compliance and / or

Borrower fails to clear any outstanding deficiency items identified on previous Contract Notices, all parties agree that Borrower must delete the disputed amount requested from that subcontractor (non-Compliant Item") from the Disbursement Request and resubmit the Disbursement Request to all parties; however, should a dispute arise among the parties regarding funding all or a portion of the Disbursement Request or any funds held pursuant to a Non-Compliant Item and said dispute cannot be resolved within a reasonable period following receipt of the Disbursement Request by the party funding the Disbursement Request, then the party funding the Disbursement Request may make the final determination whether to fund all or a portion of the Disbursement Request. Lender shall retain an amount equal to but not more than ten percent (10%) of the City Loan ("Retention Funds"), which is intended to be utilized primarily for the payment of hard construction costs as set forth in the Cost Breakdown. All parties further agree that in no event will any portion of the Retention Funds be disbursed until the Contract Compliance Unit has provided written notification to all parties that Borrower has obtained final clearance from the Contract Compliance Unit.

C. DISBURSEMENT OF ACQUISITION LOAN PROCEEDS. Disbursement of Loan proceeds for the acquisition of the Property shall be made through the Escrow Holder pursuant to the Lender's escrow instructions.

D. DISBURSEMENT OF PREDEVELOPMENT LOAN PROCEEDS. Lender must approve, as required in the LAHD staff report, all requests for payment prior to disbursement of Loan proceeds for payment of any predevelopment costs incurred on the Project.

E. DISBURSEMENT OF CONSTRUCTION LOAN PROCEEDS. Lender must approve all requests for payment prior to disbursement of Loan proceeds for payment of any construction costs incurred on the Project. Requests will be approved only on the basis of site inspections by Lender's designees confirming that the construction schedule is being met and that the construction is progressing in accordance with the Plans and Specifications and industry standards. Lender's approval for disbursements shall only be for approximate work performed. Lender shall not be responsible for the quality of construction plus compliance with the Plans and Specifications. Pursuant to Section 2.22 of the Loan Agreement, Borrower must submit a certification from the

architect for the Project stating that the Improvements were made in substantial accordance with the Plans and Specifications and/or work write-up, and the terms of the Loan Documents.

Any cost overruns shall be drawn first from contingency line items and then from developer fees.

Reimbursements for the construction costs will be made only for work in place unless specific provisions are made by the contractor and approved by Lender to protect supplies stored on- or off-site from loss and to protect Lender's interest therein. Any obligations incurred in connection with the construction contract must be reported to Lender within sixty (60) days following the recording of a valid Notice of Completion. No claims submitted after the sixty (60) day period shall be binding on Lender for reimbursement. Any obligations and/or debts incurred by Borrower or its construction contractor and not reported to Lender within the sixty (60) day period shall be the sole liability of the party who incurred the liability and/or debt.

F. AMOUNT OF CONSTRUCTION COSTS DISBURSEMENT.

Loan proceeds shall be disbursed up to the amount of the Loan shown in the Budget and only for construction items that are shown as Eligible Costs. Borrower may exceed the budgeted amount for each construction item in the Budget by not more than ten percent (10%), provided that the total Loan amount is not exceeded. Changes in individual construction items comprising the Budget in excess of ten percent (10%) of the amount budgeted shall require the prior written request of Borrower and the written consent of Lender. However, Lender's obligations shall in no event exceed the construction Loan amount specified in this Loan Agreement. Any costs above this amount necessary for the completion of the Project shall be the sole responsibility of Borrower.

G. PERFORMANCE RETENTION.

Lender shall withhold final disbursement of the Loan proceeds budgeted for direct costs of the construction costs as set out in the intercreditor agreement, which amount shall be at least ten percent (10%) of each disbursement for construction costs, until all of the following conditions precedent are satisfied:

1. All of the conditions precedent to disbursements of Loan proceeds as specified above have been satisfied;

2. All of the conditions imposed on Borrower prior to issuance of a Notice of Completion as provided for herein have been satisfied including but not limited to certification that the Improvements to the Property comply with all conditions imposed by the Americans with Disabilities Act, 42 USC §12101 et seq., and its implementing regulations (ADA), the Americans with Disabilities Act Amendments Act of 2008, Pub. L. 110-325 (ADAAA) and all subsequent amendments, Section 504 of the Rehabilitation Act of 1973, as amended, 29 USC 794 and 24 CFR Parts 8 and 9 (Rehab Act), the Uniform Federal Accessibility Standards (UFAS), 24 CFR, Part 40, and the Fair Housing Act, 42 U.S.C. 3601, et seq; 24 CFR Parts 100, 103, and 104 (FHA) and all implementing regulations" to the end of the sentence.;
3. Borrower has submitted to Lender a copy of a recorded Notice of Completion;
4. Borrower has delivered to Lender all lien waivers and releases required by Lender, or the applicable statutory periods for filing mechanics or other similar liens have passed; and
5. The Project has been completed in full compliance with the Plans and Specifications to the satisfaction of Lender.

H. CLAIMS FOR REIMBURSEMENT.

Any obligations incurred in connection with the Project must be reported to Lender within one hundred twenty (120) days following the recording of a valid Notice of Completion. No claims submitted after the one hundred twenty (120) day period shall be binding on Lender for reimbursement. Any obligations and/or debts incurred by Borrower or its agents and not reported to Lender within the one hundred twenty (120) day period shall be the sole liability of the party who incurred the liability and/or debt. This provision does not apply to obligations incurred in connection with the construction contract which is restricted to a sixty (60) day period addressed under Disbursement of Construction Loan Proceeds.

EXHIBIT H
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

CERTIFICATION REGARDING LOBBYING

**Certification for Contracts, Grants, Loans
and Cooperative Agreements**

The undersigned certifies, to the best of his or her knowledge and belief, that:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan or cooperative agreement.
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL "Disclosure Form to Report Lobbying" in accordance with its instructions.
3. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

EXHIBIT H
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

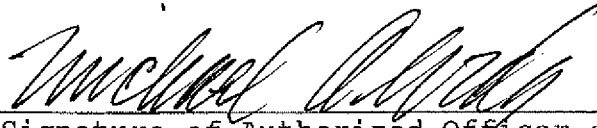
CERTIFICATION REGARDING LOBBYING CONTD.

4. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Title 31, U.S. Code, Section 1352. Any person who fails to file the required certification shall be subject to a civil penalty of not less than Ten Thousand Dollars (\$10,000) for each such failure.

Date 3/24/2013

NEW PERSHING APARTMENTS, L.P. 108 E. 5th Street
Name of Business/Borrower Address

Los Angeles, Los Angeles, California
City/County/State

 Michael Alvidrez
Signature of Authorized Officer or Representative Print Name

Executive Director (213) 683-0522 X113
Title Telephone Number

EXHIBIT I
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

CERTIFICATION REGARDING DEBARMENT

Instructions for Certification

1. By signing and submitting this document, the prospective recipient of Federal assistance funds is providing the certification as set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective recipient of Federal assistance funds knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective recipient of Federal assistance funds shall provide immediate written notice to the person to which this agreement is entered, if at any time the prospective recipient of Federal assistance funds learns that its certification was erroneous, when submitted or has become erroneous by reason of changed circumstances.
4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549.

EXHIBIT I
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

CERTIFICATION REGARDING DEBARMENT CONTD

5. The prospective recipient of Federal assistance funds agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.
6. The prospective recipient of Federal assistance funds further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Procurement or Non-Procurement Programs.
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

EXHIBIT I
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

CERTIFICATION REGARDING DEBARMENT CONTD

9. Except for transactions authorized under Paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.

Date

3/29/13

New Pershing Apartments, L.P.

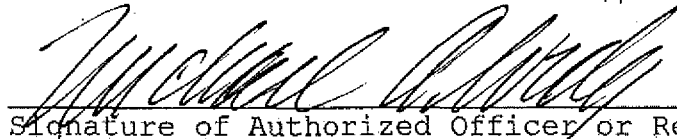
108 E. 5th Street

Name of Business/Borrower

Address

Los Angeles, Los Angeles, California

City/County/State



Michael Alvidrez

Signature of Authorized Officer or Representative

Print Name

Executive Director

(213) 683-0522 x113

Title

Telephone Number

EXHIBIT J
LOAN AGREEMENT
(Project)

UCC-1

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER (optional) James W. Bloor (213) 808-8592
B. SEND ACKNOWLEDGMENT TO: (Name and Address) LOS ANGELES HOUSING DEPARTMENT 1200 W. 7TH STREET, 8TH FLOOR LOS ANGELES, CA 90017

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME New Pershing Apartments, L.P., a California limited partnership					
OR	1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS 1317 East 7th Street			CITY LOS ANGELES	STATE CA	POSTAL CODE 90021
1d. TAX ID #: SSN OR EIN		ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION Ltd Partnership	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
					<input checked="" type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS			CITY	STATE	POSTAL CODE
2d. TAX ID #: SSN OR EIN		ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
					<input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME THE CITY OF LOS ANGELES, A MUNICIPAL CORPORATION AND CHARTER CITY					
OR	3b. INDIVIDUAL'S LAST NAME LOS ANGELES HOUSING DEPARTMENT		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS P.O. Box 532729			CITY LOS ANGELES	STATE CA	POSTAL CODE 90053

4. This FINANCING STATEMENT covers the following collateral:

EXHIBIT 1 (DEED OF TRUST) AND EXHIBIT 2 (PROMISSORY NOTE)

SEE EXHIBITS ATTACHED HERETO AND INCORPORATED HEREIN FOR TYPES OF PROPERTY COVERED BY THIS FINANCING STATEMENT.

5. ALTERNATIVE DESIGNATION (if applicable)		LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOR	SELLER/BUYER	AG. LIEN	NON-UCC FILING
6. [This FINANCING STATEMENT] is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)		7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional)		All Debtors		Debtor 1	Debtor 2
8. OPTIONAL FILER REFERENCE DATA							

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

OR	9a. ORGANIZATION'S NAME	New Pershing Apartments, L.P., a California limited partnership		
	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX	

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

OR	11a. ORGANIZATION'S NAME				
	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. TAX ID #:	SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #. If any
					<input type="checkbox"/> NONE

12. ☐ ADDITIONAL SECURED PARTY'S or ☐ ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

OR	12a. ORGANIZATION'S NAME				
	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY

13. This FINANCING STATEMENT covers ☐ timber to be cut or ☐ as-extracted collateral, or is filed as a ☐ fixture filing.

14. Description of real estate:

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.

Debtor is a ☐ Trust or ☐ Trustee acting with respect to property held in trust or ☐ Decedent's Estate

18. Check only if applicable and check only one box.

☐ Debtor is a TRANSMITTING UTILITY

☐ Filed in connection with a Manufactured-Home Transaction — effective 30 years

☐ Filed in connection with a Public-Finance Transaction — effective 30 years

EXHIBIT A TO UCC FINANCING STATEMENT

COLLATERAL DESCRIPTION (NEW PERSHING APARTMENTS)

DEBTOR: **NEW PERSHING APARTMENTS, L.P.**
 A California Limited Partnership

SECURED PARTY: **THE CITY OF LOS ANGELES,**
 A Municipal Corporation and Chartered City

Relating to the \$3,500,000 loan from the City of Los Angeles ("City") pursuant to a Loan Agreement dated _____ between the City and NEW PERSHING APARTMENTS, L.P., a California Limited Partnership.

COLLATERAL

All of the following-described estate, property and interest of Debtor now or hereafter acquired, together with all cash and noncash proceeds thereof. Real property located at:
108 East 5th Street, Los Angeles, CA 90013.

All interest, estates of other claims, both in land and in equity which Trustor now has or may hereafter acquire in the Property; all buildings, structures, fixtures, improvements, signs and landscaping now or hereafter erected or located on the Property, including all equipment and machinery used for supplying or distributing heating, cooling, electricity, gas, water, air and light, all kitchen and laundry appliances such as washers, dryers, refrigerators, garbage disposals, ovens, ranges, dishwashers, all plumbing and bathroom fixtures, all extinguishment equipment, elevators, floor coverings, window coverings, paneling, cabinets, (provided, however, that Trustor shall have the right to remove, if necessary, such fixtures, furnishings and equipment for the purpose of replacement with similar items of the same quality performing the same functions, which replacements shall themselves become part of this grant); all building material and equipment either now or hereafter delivered to the Property and intended to be installed therein or any such material and equipment purchased with Loan proceeds whether or not located on the Property; all reserves, accounts, deferred payments, and refunds relating to development on the Property; all rents and income generated by the Property or improvements thereon (subject however to the assignment of rents to the lender contained herein); all leases, subleases and rental agreements covering the Property or any portion thereof now existing of hereafter entered into, and all interests of Trustor in security deposits, advance rentals, accounts, or payments of agreements; all easements and rights-of-way appurtenant to the Property, including parking and recreational easements, and all interests of Trustor in any land lying within the right-of-way of any street, sidewalks, and areas of land adjacent to or used in connection with the Property; all development rights and credits, air rights, water rights, and oil gas or mineral rights with respect to the Property; all claims or demands with respect to insurance proceeds, and all awards made for a taking by eminent domain; all interests and rights in any private or government grants, subsidies, loans or any other financing with respect to development on the Property; all interests in personal property used in and about the Property (except furniture and other personal property of occupants of dwelling units on the Property); all intangible property and rights relating to the Property or operations on the Property, including trade names, goodwill, trademarks, and service marks; all government permits, approvals, and map rights related to construction on the Property; all architectural, structural, and mechanical plans, specifications, designs, studies and data with respect to construction of improvements on the Property; all current and future claims and rights of action of Trustor against owners and operators, tenants and former tenants, consultants, advisors and other third parties with respect to environmental or Hazardous Materials contamination and cleanup of the Property under any federal, state or local ordinances, statutes, regulations, or administrative decisions or common law.

**ATTACHMENT 2 TO UCC FINANCING STATEMENT
(NEW PERSHING APARTMENTS)
PROPERTY DESCRIPTION**

LEGAL DESCRIPTION

PARCEL 1:

LOTS 23 AND 24 IN BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

THAT PORTION OF BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OR MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHEAST LINE OF MAIN STREET, 80 FEET WIDE, WITH THE PROLONGATION OF THE CENTER LINE OF A PARTY WALL, AS DESCRIBED IN BOOK 1734, PAGE 111, OF DEEDS, RECORDS OF LOS ANGELES COUNTY, SAID INTERSECTION BEING DISTANT SOUTH 37°54'45" WEST 73.87 FEET FROM THE SOUTHEAST CORNER OF FIFTH AND MAIN STREETS; THENCE ALONG SAID PROLONGATION AND CENTER LINE OF THE PARTY WALL, SOUTH 51°57'30" EAST 140.13 FEET TO A POINT IN THE NORTHWEST LINE OF 20 FOOT ALLEY, SAID POINT BEING DISTANT SOUTH 37°56' WEST 73.87 FEET FROM THE SOUTH LINE OF FIFTH STREET; THENCE ALONG SAID ALLEY SOUTH 37°56' WEST 36.27 FEET TO THE CENTER LINE OF A PARTY WALL AS DESCRIBED IN BOOK 1718, PAGE 234 OF SAID DEED RECORDS; THENCE ALONG SAID LAST MENTIONED CENTER LINE AND PROLONGATION THEREOF; NORTH 53°13' WEST 140.12 TO SAID SOUTHEAST LINE OF MAIN STREET; THENCE ALONG MAIN STREET, NORTH 37°54'45" EAST 36.90 FEET TO THE POINT OF BEGINNING.

ASSESSOR'S IDENTIFICATION NUMBERS: 5148-019-010, 5148-019-011

COMMON ADDRESSES: 108 East 5th Street
Los Angeles, California 90013

TRUSTOR: NEW PERSHING APARTMENTS, L.P.
a California Limited Partnership.

ATTACHMENT 3 TO UCC FINANCING STATEMENT

**DESCRIPTION OF IMPROVEMENTS, PLANS AND SPECIFICATIONS
(NEW PERSHING APARTMENTS)**

1. Improvements: The improvements ("Improvements") consisting of: 69 units (65 Efficiency and 4 1-bedroom).
2. Plans and Specifications: The plans and specifications, as of the date hereof, are those, which Borrower has heretofore, or will hereafter deliver to the Lender.

EXHIBIT K
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

NO FEE DOCUMENT

Recording requested by and
when recorded, mail to:

City of Los Angeles
Los Angeles Housing Department
P.O. Box 532729
Los Angeles, CA 90053-2729
Attn: Asset Management (HIMS No. 12-118778)

Assessor's Identification Numbers: 5148-019-010 and 5148-019-011

REGULATORY AGREEMENT

This Regulatory Agreement is made this 2nd day
of APRIL, 2013 by and between the City of
Los Angeles, a municipal corporation (the "City"), and New Pershing
Apartments, L.P., a California limited partnership ("Owner").

RECITALS

A. The City wishes to promote the construction of
multifamily rental housing within the City of Los Angeles.

B. The City created the 2012 Affordable Housing Trust Fund -
Permanent Supportive Housing Program ("AHTF-HLP"), Los Angeles
Council File 11-1920.

C. The funds provided by the AHTF-HLP are from the
Affordable Housing Trust Fund, as contained in Los Angeles
Ordinance 173346, adopted on May 23, 2000, Los Angeles Council File
99-1753; chapter title amended by ordinance 174,035, effective July
30, 2001, as Los Angeles Administrative Code Section 5.522; and the
Home Investment Partnership Program Funds ("HOME Funds") from the
United States Department of Housing and Urban Development ("HUD")
pursuant to the Cranston-Gonzales National Housing Act of 1990 for
the purpose of expanding the supply of decent, safe, sanitary and
affordable housing.

D. Under the AHTF-HLP, the City issued a loan to the
Borrower in the amount of Three Million Five Hundred Thousand
Dollars (\$3,500,000) from the City's HOME Funds, loaned to support
predevelopment, construction and permanent costs.

E. Borrower shall acquire the real property located at 108 East 5th Street (a.k.a.: 502 South Main Street), Los Angeles, California 90013 (as more particularly described in Exhibit A) (the "Property") for the rehabilitation of an apartment building resulting in sixty nine (69) housing units, of which One Hundred Percent (100%) of sixty seven (67) of the units shall be rented at prices affordable to 30% Income, 45% Income and 60% Income Households and two (2) manager's units, as defined in this City Loan Agreement for the project ("Project").

F. The purpose of this Regulatory Agreement is to regulate and restrict the occupancy, rents, operation, ownership, and management of the Property for the benefit of Property, occupants and the people of the City of Los Angeles. The covenants in this Regulatory Agreement are intended to run with the land and be binding on Owner and Owner's successors for the full term of this Regulatory Agreement.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the aforementioned funding, Owner and City hereby agree as follows:

DEFINITIONS

The following terms have the meanings and content set forth in this section wherever used in this Regulatory Agreement or attached exhibits.

1. **"AREA MEDIAN INCOME"** means the median income for the Los Angeles Primary Metropolitan Statistical Area (PMSA), with adjustments for household size, as determined from time to time by the U.S. Department of Housing and Urban Development (HUD) pursuant to the United States Housing Act of 1937 as amended, or such other method of median income calculation applicable to the City of Los Angeles that HUD may hereafter adopt in connection with said Act.

2. **"ASSISTED UNIT"** means a housing unit on the Property which is supported by HOME Funds.

3. **"CITY"** is the City of Los Angeles, a municipal corporation, and its officers, officials, directors, employees, agents and authorized representatives.

4. **"CITY DEED OF TRUST"** is that deed of trust, assignment of rents, and security agreement placed on the Property as security for the Loan by Owner as trustor with City as beneficiary, as well as any amendments to, modifications of, and restatements of said deed of trust.

5. **"CITY LOAN AGREEMENT"** means the loan agreement(s) executed concurrently with this Regulatory Agreement by Owner and the City which governs the City Loan, as well as any amendments to, modifications of, or restatements of said loan agreement(s). The City Loan Agreement(s) are on file with the Los Angeles Housing Department.

6. **"CITY LOAN"** is any loan of funds provided by the City to Owner for the Project.

7. **"CITY LOAN DOCUMENTS"** are collectively the City Loan Agreement, City Note, City Deed of Trust, and this Regulatory Agreement as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

8. **"CITY NOTE"** means any promissory note executed by Owner in favor of the City, directly or by assignment, evidencing any part of the City Loan, which is secured by the City Deed of Trust, as well as any amendments to, modifications of, or restatements of said promissory note(s). The City Note(s) is on file with the Los Angeles Housing Department.

9. **"ELIGIBLE COSTS"** means those costs for which Loan proceeds may be used as specified in the City Loan Agreement, and any revisions to the City Loan Agreement that are approved in writing by City. In addition, other items may be Eligible Costs if approved in writing by City.

10. **"ELIGIBLE HOUSEHOLD"** means a household that qualifies as a 30% Income, 45% Income and 60% Income Household. For reference purposes, the eligibility income requirements are specified in Exhibit B.

11. **"HOME FUNDS"** means the HOME Investment Partnerships Program, codified at 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92, to provide funds for affordable housing.

12. **"HOUSEHOLD INCOME"** means the gross amount of income of all Adult Household members that is anticipated to be received during the coming 12-month period determined in accordance with the definition of Annual Income contained in 24 C.F.R. 5.609.

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

14. **"IMPROVEMENTS"** shall mean sixty nine (69) housing units of which one hundred percent (100%) of sixty seven (67) housing

units will be affordable to 30% Income, 45% Income and 60% Income Households and two (2) manager's units.

15. **"LAHD"** shall mean the Los Angeles Housing Department of the City of Los Angeles, California.

16. **"LOAN"** means the loan of funds provided by City to Owner pursuant to this City Loan Agreement.

17. **"LOAN AGREEMENT" and "CITY LOAN AGREEMENT"** means the loan agreement entered into between City and Owner.

18. **"LOAN DOCUMENTS"** are collectively the City Loan Agreement, the City Note, the City Deed of Trust, this Regulatory Agreement, and the UCC-1, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

19. **"OWNER"** is New Pershing Apartments, L.P., a California limited partnership, and its authorized representatives, assigns, transferees, or successors-in-interest thereto.

20. **"PROJECT"** means the construction and operation of the Property for residential use according to the terms of the City Loan Agreement and the Regulatory Agreement.

21. **"PROPERTY"** means the real property described in the attached Exhibit A, which is hereby incorporated into this Regulatory Agreement by this reference, and any buildings or Improvements now or hereafter situated on said real property.

22. **"QUALIFYING HOUSEHOLD"** means a Household Income not exceeding the maximum income level as established in Exhibit B for an Assisted Unit and who is otherwise eligible to rent an Assisted Unit.

23. **"QUALIFYING RENT"** means the maximum rent for an Assisted Unit allowed under the City Loan Agreement and this Regulatory Agreement, less an allowance for tenant-paid Utilities as calculated by the Housing Authority of the City of Los Angeles for the Section 8 Rental Assistance Program, and is the consideration, including any bonus, benefits or gratuity, demanded or received by Owner for or in connection with the use or occupancy of a rental unit, including parking, laundry facilities, and other housing services and amenities of any kind that are reasonably deemed as part of rent by the City. The following is not permissible: (a) additional service charges resulting in a rent amount above the maximum allowable rent set by this Regulatory Agreement and the Loan Documents; and (b) contracts with other agencies resulting in rent payments on behalf of the tenant for more than the regulatory

agreement's qualifying rent, unless the project is designated as a HUD project based rental assisted building.

24. **"RESTRICTED UNIT"** means a housing unit on the Property which is reserved for occupancy by a household with a 30% Income, 45% Income and 60% Income, or other designated income as set forth in Exhibit B, and which is designated to be rented at a Qualifying Rent as set forth in Exhibit B.

25. **"SOCIAL SERVICE PLAN"** means Borrower's plan for the social services of the Project. Borrower shall submit its Social Service Plan for review and approval by the LAHD pursuant to this Loan Agreement.

26. **"UTILITIES"** means the provision of electricity, gas, water, sanitation, or other public services.

27. **"60% INCOME HOUSEHOLD"** means an annual Household Income not exceeding sixty percent (60%) of the median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households.

28. **"45% INCOME HOUSEHOLD"** means an annual Household Income not exceeding forty five percent (45%) of the median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households.

29. **"30% INCOME HOUSEHOLD"** means an annual Household Income not exceeding thirty percent (30%) of the median for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households.

OWNER'S OBLIGATIONS

30. **COMPLIANCE WITH CITY LOAN DOCUMENTS.** Owner's actions with respect to the Property and the use of City Loan funds shall at all times be in full conformity with all of the requirements of the City Loan Documents.

31. **TERM OF AGREEMENT.** This Regulatory Agreement shall commence upon execution and shall remain in full force and effect for fifty five (55) years from the date of execution of this Regulatory Agreement, regardless of any expiration of the term of any City Loan, any payment or prepayment of any City Loan, any assignment of a City Note, any reconveyance of a City Deed of Trust, or any sale, assignment, transfer, or conveyance of the Property, unless terminated earlier by the City in writing or extended by the mutual consent of the parties. However, failure to

record this Regulatory Agreement or the certificate by the City shall not relieve Owner of any of the obligations specified herein.

32. **COMPLIANCE WITH FUNDING REQUIREMENTS.** The funds are from the 2012 Affordable Housing Trust Fund - Permanent Supportive Housing Program ("AHTF-PSHP"), Los Angeles Council File 11-1920. The Affordable Housing Trust Fund program is contained in Los Angeles Ordinance 173346, adopted on May 23, 2000, Los Angeles Council File 99-1753; chapter title amended by ordinance 174,035, effective July 30, 2001, as Los Angeles Administrative Code Section 5.522. Owner must comply with all the requirements imposed on properties assisted under the applicable sources of funds:

- A. HOME Funds program as contained in 42 U.S.C. Sections 12701, et seq., 24 C.F.R. Part 92,
- B. Any other implementing rules and regulations are incorporated by this reference.
- C. In the event of any conflict between this Regulatory Agreement and the HOME Funds regulations, the HOME Funds regulations shall govern, unless otherwise waived by the City. In the event of any conflict between the sources of funds requirements, the most restrictive requirement shall govern.

PROJECT OCCUPANCY AND RENTS

33. **OPERATION OF PROPERTY.** Owner and its agents shall lease, operate and manage the Property after completion in full conformance with the terms of the Regulatory Agreement.

Owner agrees to: (1) maintain and operate the Assisted Units so as to provide decent, safe, and sanitary housing; and (2) provide the Assisted Units with the same level of services (including security), amenities, and maintenance as are applied to the other dwelling units on the Property. Amenities that are provided to non-assisted unit households include, but are not limited to, access to recreational facilities, parking, cable TV, and interior amenities such as dishwashers and microwave ovens. Optional services provided must be available to all residents under the same terms and conditions. All incentives such as rent specials must be offered to all new residents, not only residents of non-assisted units.

Borrower shall agree to maintain and operate the Project in conformance with the Social Service Plan submitted to and approved by the City. Any modifications of the Social Service Plan for the Project must be approved by the City.

34. **DESIGNATED ASSISTED UNITS.** The designated Assisted Units on the Property shall meet the following standards:

- A. Generally reflect the average number of bedrooms per dwelling unit and average square footage of non-assisted units on the Property;
- B. Be similarly constructed and of comparable quality to all other units on the Property;
- C. Be dispersed throughout the Property; and
- D. Provide tenants access and enjoyment of all common areas and facilities of the Property on the same basis as tenants of other units.

35. **LEASING THE PROPERTY.** Before leasing any portion of the Property, Owner shall submit its proposed form of lease for City's review and approval. The term of the Lease shall be for no less than one (1) year unless mutually agreed upon by Owner and tenant and shall not contain any provision which is prohibited by 24 C.F.R. Section 92.253(b) and any modifications thereto. Any termination of the Lease or refusal to renew must be in conformance with 24 C.F.R. 92.253(c) and must be preceded by not less than thirty (30) days written notice to the tenant by the Owner specifying the grounds for the action.

A. Assisted Units

- 1. All Assisted Units shall be leased and shall not be withdrawn from the market. Assisted Units shall be rented in a manner consistent with the Space and Occupancy Standards set forth in Chapter 5 of the Uniform Housing Code (1997), and in such a manner that there is no under-utilization of the floor space of Assisted Units.
- 2. If one (1) of the Assisted Units becomes vacated, Owner shall use reasonable attempts to rent that particular Assisted Unit, or identify another unit as an Assisted Unit.
- 3. During the initial lease up, and upon vacancies of an Assisted Unit, Owner shall make reasonable efforts to advertise to Eligible Households. The affirmative marketing requirements and procedures adopted must meet the requirements of federal fair housing laws and the City's affirmative marketing policy. Owner shall obtain and comply with the City's affirmative marketing guidelines contained

within the Property Management Plan Packet from LAHD Contract Compliance Unit.

B. The Owner shall provide to each tenant, the following: (1) a signed copy of the lease and/or rental agreement; and (2) a signed copy of the supplemental agreement to the lease or rental agreement ("Mandatory Addendum").

36. **TENANT SELECTION.** Before leasing the Property, Owner must provide City for its review and approval Owner's written tenant selection plan. The Owner's tenant selection plan must, at a minimum, meet the requirements for tenant selection set out in 24 C.F.R. 92.253(d) and any modifications thereto.

Owner shall rent the Assisted Units to any Eligible Household according to the tenant selection plan. Owner shall verify the prospective tenant's eligibility and shall require from each tenant documentation that such household's income from all sources does not exceed allowable limits as described in Exhibit B.

Owner shall maintain and select tenants from a written waiting list in the chronological order of their application. Owner shall provide said waiting list to any subsequent owner and/or property manager.

Owner shall give priority for Assisted Units to Qualified Households who have been displaced as a result of the City of Los Angeles' public projects.

Borrower shall require each prospective tenant to certify under penalty of perjury that they are not (a) an owner, developer or sponsor of the project; (b) an officer, employee, agent, consultant or elected or appointed official of the owner, developer or sponsor; or (c) a member of the Immediate Family of such person described in subsections (a) and (b). Borrower shall not rent any unit of the Project to any of said individuals. Any exceptions shall be requested in writing and subject to consideration in accordance with applicable policies, procedures and regulations.

37. **INCOME CERTIFICATION.** Owner shall limit for the full term of the Regulatory Agreement the rental of Assisted Units to Qualifying Households according to the schedule contained in Exhibit B. The income levels and other qualifications of applicants for Assisted Units shall be certified within ten (10) business days of the household's expected occupancy of one (1) of the units. Owner acknowledges that it has received a copy of the current City of Los Angeles rules governing income certification, and shall comply with these rules as they may be amended.

On an annual basis, Owner shall provide the City with a copy of an occupancy summary report showing the present occupants, rent, and size of the Assisted Units on the Property, and any other information which the City requests and which relates to the eligibility of these households. If the household size of an Eligible Household changes, the City may request additional income documentation to determine eligibility. If the City determines that the Eligible Household is no longer an Eligible Household, such Unit will continue to be treated as an Assisted Unit until the next available unit of comparable size on the Property is rented to a person who qualifies for an Assisted Unit; or, if HOME Funds are used and the Eligible Household is found to no longer qualify as 30% Income, 45% Income and 60% Income the household must pay thirty percent (30%) of their Household Income for rent and Utilities or the maximum increases allowed under the City's Rent Stabilization Ordinance, whichever is less. Notwithstanding the previous sentence, tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by section 42.

The City may require the Owner, at any time, to re-examine for compliance with the Exhibit B, the income of each tenant household and immediately submit its findings to the City.

38. **AFFORDABILITY RESTRICTIONS.** The affordability of the Project shall be maintained as follows:

- A. Fourteen (14) efficiency units in the Project shall at all times be occupied or held vacant and available for rental by 60% Income Households (households who do not exceed sixty percent (60%) median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households). Income determination shall be made at the time of initial occupancy of a unit by a tenant.
- B. Fifteen (15) efficiency and three (3) one bedroom units in the Project shall at all times be occupied or held vacant and available for rental by 45% Income Households (households who do not exceed forty five percent (45%) median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households). Income determination shall be made at the time of initial occupancy of a unit by a tenant.
- C. Thirty Five (35) efficiency units in the Project shall at all times be occupied or held vacant and available for rental by 30% Income Households (households who do not exceed thirty percent (30%) median income for the Los

Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households). Income determination shall be made at the time of initial occupancy of a unit by a tenant.

- D. All units are described and limited as set forth in Exhibit B.
- E. If HOME Funds are used, Owner must comply with the affordability requirements contained in 24 CFR 92.252.

39. **PROJECT RENTS.** Rents for Restricted Units shall be limited to Qualifying Rents as set forth in Exhibit B. Qualifying Households shall be given at least thirty (30) days written notice prior to any rent increase.

The maximum allowable rent that may be charged for a Restricted Unit may change from time to time when there are changes in the Area Median Income as published by HUD, or when there are changes made to the allowances deducted for tenant paid Utilities as calculated by the Housing Authority of the City of Los Angeles.

In no event, however, will the resulting maximum allowable rent for a Restricted Unit exceed the HUD fair market rents set for rental housing units of the same number of bedrooms for the area.

For projects subject to the City's Rent Stabilization Ordinance, the maximum rent increase allowed by that ordinance may be less or more than that allowed by changes in the Area Median Income. In such instances, the rents on restricted units may only be raised to the lesser of the two (2) allowed increases.

If the Project is receiving necessary rental assistance from the Section 8 Rental Assistance Program through the Los Angeles Housing Authority ("Rental Assistance") and said Rental Assistance is withdrawn or terminated due to reasons not attributable to the actions or inactions of the Borrower, the Borrower may petition LAHD to modify the affordability restrictions and maximum rental charges designated in Exhibit N, if the following circumstances exist: (a) alternative funding is unavailable, (b) the project is otherwise in full compliance with all the terms of the funding for the Project, and (c) more restrictive funding requirements do not apply to the Project. Any modification shall be only to the minimum extent required for project feasibility, as determined by LAHD. In addition, the affordability restrictions and maximum rental charges designated in Exhibit N and Exhibit K(b) which are restricted to households with incomes not exceeding a specified percentage of area median income shall not in any event be increased to an amount in excess of thirty percent (30%) of sixty percent (60%) of the area median income for Los Angeles.

40. **NOTICE TO TENANTS.** There are four (4) points in time when the Owner is required to give written notice to all tenants of Restricted Units:

- A. Upon initial move-in/lease execution, Owner shall give written notice, to all tenants of Restricted Units, of the duration of the rent restrictions under this Regulatory Agreement. Owner must maintain, in its files, a copy of each notice containing each tenant's signed acknowledgment of the notice required hereunder. The notice shall, at the least, contain language that the rent restrictions under this Regulatory Agreement shall be for fifty five (55) years, and shall terminate fifty five (55) years from the date of execution of this Regulatory Agreement. Upon termination of the rent restriction period under this Regulatory Agreement, rents may be set at market rates unless otherwise restricted by some other legal, regulatory, or contractual requirement.
- B. Twelve (12) months prior to the termination of the rent restriction period under this Regulatory Agreement, Owner must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Owner must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Department of Housing and Community Development.
- C. Six (6) months prior to the termination of the rent restriction period under the Regulatory Agreement, Owner must give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels. Owner must also give written notice, pursuant to California Government Code Section 65863.10, to the Mayor of the City of Los Angeles, the Housing Authority of the City of Los Angeles, and the Department of Housing and Community Development.
- D. Ninety (90) days prior to the termination of the rent restriction period under this Regulatory Agreement, Owner must again give written notice to its tenants of the termination of the restrictions on the Restricted Units before their rents may be raised to market rent levels.

41. **MAXIMUM RENTAL CHARGES.** The total charges for rent, Utilities, and related services to each 60% Income Household shall not exceed thirty percent (30%) of sixty percent (60%) of Area

Median Income. The total charges for rent, Utilities, and related services to each 45% Income Household shall not exceed thirty percent (30%) of forty five percent (45%) of Area Median Income. The total charges for rent, Utilities, and related services to each 30% Income Household shall not exceed thirty percent (30%) of thirty percent (30%) of Area Median Income. Initial rents for each Unit shall be as set forth in the Regulatory Agreement. Maximum rent increases shall be calculated by Lender based on the change in permissible rents published by HUD. Owner shall annually certify each tenant Household Income and make any rent adjustment pursuant to the terms of the Regulatory Agreement.

42. **CONDOMINIUM CONVERSION.** Owner shall not convert Property units to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Property during the term of this Regulatory Agreement.

43. **NONDISCRIMINATION.** Owner shall not discriminate or segregate in the use, enjoyment, occupancy, conveyance, lease, sublease, or rental of Property units on the basis of race, color, ancestry, national origin, religion, sex, sexual orientation, gender identity, age, marital status, family status, source of income, physical or mental disability, Acquired Immune Deficiency Syndrome (AIDS) or AIDS-related conditions (ARC), or any other arbitrary basis. Owner shall include a statement in all advertisements, notices and signs for the availability of Property units for rent to the effect that Owner is an Equal Housing Opportunity Provider.

PROPERTY MANAGEMENT

44. **MANAGEMENT RESPONSIBILITIES.** Owner is specifically responsible, subject to its obligations herein, for all management functions with respect to the Property, including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The City shall have no responsibility over management of the Property.

45. **MANAGEMENT ENTITY.** The City shall have the right to review and approve the management entity chosen by Owner for the Property and the right to require a change in the management agent at any time during the term of this Regulatory Agreement. Any contracting of management services by Owner shall not relieve Owner

of its primary responsibilities for proper performance of management duties.

46. **FINAL MANAGEMENT PLAN.** At least ninety (90) calendar days prior to completion of construction of the Project, Owner shall submit to the City for review and approval a plan for marketing and managing the Property (the "Final Management Plan").

The Plan shall address in detail how Owner plans to market the availability of Project units to prospective Qualified Households in accordance with the City of Los Angeles's affirmative fair housing marketing guidelines, and how Owner plans to certify the eligibility of Qualified Households. The Plan shall also address how the Owner and the management entity plan to manage and maintain the Property, and shall include appropriate financial information and documentation. The Plan shall include a form lease agreement that Owner proposes to enter into with Project tenants. Owner shall abide by the terms of this Plan in marketing, managing, and maintaining the Property.

At least ninety (90) calendar days prior to completion of construction of the Project, Owner shall also submit a proposed management contract to the City for the City's prior review and approval. The City shall have the right to review and approve any proposed amendments to the management contract or any new management contracts during the term of this Regulatory Agreement.

47. **MAINTENANCE AND SECURITY.** Owner shall at its own expense maintain the Property in good condition, in good repair, and in decent, safe, sanitary, habitable and tenantable living conditions for the benefit of Project occupants. Owner shall not commit or permit any waste on or to the Property, and shall prevent and/or rectify any physical deterioration of the Property. Owner shall provide adequate ongoing security equipment and services for Project occupants. Owner shall maintain the Property in conformance with all applicable state, federal, and local laws, ordinances, codes, and regulations and the Final Management Plan; but Owner's maintenance obligations shall not be limited only to the standards contained in these laws or the Final Management Plan.

In the event that Owner fails to maintain the Property in accordance with these standards and after at least ten (10) business days prior written notice to Owner, the City or the City's contractor or agent may, but shall be under no obligation to, enter upon the Property, make such repairs or replacements as are deemed necessary in the City's discretion, and provide for payment thereof. Any amount advanced by the City to make such repairs, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the City Note (unless payment of such an interest rate would be contrary to applicable law, in which event such sums shall bear interest at the highest

rate then allowed by applicable law), shall become an additional obligation of Owner to the City and shall be secured by any City Deed of Trust, if not previously reconveyed.

48. **INSPECTION AND RECORDS.** Owner shall maintain records which clearly document Owner's performance of its obligations to operate the Property under the terms of this Regulatory Agreement. Owner shall submit any records to the City within ten (10) business days of the City's request. Owner shall permit the City to enter and inspect the Property for compliance with obligations under this Regulatory Agreement upon 24 hours advance notice of such visit by the City to Owner or Owner's management agent and to tenants of any inspected Project units.

49. **FEES, TAXES, AND OTHER LEVIES.** Owner shall be responsible for payment of all fees, assessments, taxes, charges and levies imposed by any public authority or utility company with respect to the Property, and shall pay such charges prior to delinquency.

50. **INSURANCE COVERAGE.** Owner shall cause to have in full force and effect during the term of this Regulatory Agreement insurance coverage as required under Exhibit C1 & C2 of this Exhibit K and Article 5 of the City Loan Documents, which are hereby incorporated by reference into this Regulatory Agreement.

51. **PROPERTY DAMAGE OR DESTRUCTION.** If any building or improvements erected by Owner on the Property shall be damaged or destroyed by an insurable cause, Owner shall, at its own cost and expense, diligently repair or restore the Property consistent with the original Plans and Specifications for the Project. Such work or repair shall be commenced within one hundred twenty (120) days after the damage or loss occurs and shall be completed within one (1) year thereafter. All 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, Owner shall make up the deficiency.

52. **HAZARDOUS MATERIALS** Owner shall comply with all of the obligations contained in any City Loan Agreement with respect to Hazardous Materials.

GENERAL PROVISIONS

53. **SUBORDINATION.** This Regulatory Agreement shall be subordinated in priority only to the liens and encumbrances approved by the City in the City Loan Agreement or otherwise in writing by the City in its sole and absolute discretion.

54. **TRANSFER AND ENCUMBRANCE OF PROPERTY.** During the term of this Regulatory Agreement, Owner shall not make or permit any sale, assignment, conveyance, lease (other than the rental of Project units to Qualifying Households and other eligible residential tenant occupants), or transfer of the this Regulatory Agreement, other City Loan Documents, the Project, or the Property or any part thereof, including the sale of any general or limited partnership interests, without the prior written consent of the City. The City shall give its consent to a sale, transfer, or conveyance provided that all of the following conditions are met: (a) Owner is in compliance with this Regulatory Agreement and the other City Loan Documents, or the sale, transfer, or conveyance will result in the cure of any existing violations of this Regulatory Agreement or the other City Loan Documents; (b) the transferee agrees to assume all obligations of Owner imposed by this Regulatory Agreement and the other City Loan Documents and enter into such an agreement ("Assumption Agreement"); (c) the transferee demonstrates to the City's satisfaction that it is capable of owning and operating the Property in full compliance with this Regulatory Agreement and the other City Loan Documents; (d) the terms of the sale, transfer, or conveyance shall not jeopardize the City's security interest in the Property and is in full compliance with all standards, including eligibility requirements and other conditions imposed by any funding sources for the Project and any loan; and (e) the transferee is not in default on any other obligations.

During the term of this Regulatory Agreement, Owner shall not engage in any financing or other transaction creating any mortgage or other encumbrance or lien upon the Property (except for any financing provided by the City), without the prior written consent of the City. The City may give its consent to such financing if and to the extent necessary to maintain or improve the affordability or condition of the Property.

55. **DEFAULT AND REMEDIES.** In the event of any breach or violation of any agreement or obligation under this Regulatory Agreement, or of any Event of Default as defined by any City Loan Agreement which in any way pertains to or affects the continuing operation of the Property, and after the City has given written notice to Owner and an opportunity to cure in the same time and manner provided for with respect to Events of Default in said City Loan Agreement, the City may proceed with any or all of the following remedies:

- A. Bring an action in equitable relief seeking the specific performance by Owner of the terms and conditions of this Regulatory Agreement, and/or enjoining, abating, or preventing any violation of said terms and conditions, and/or seeking declaratory relief;

- B. Enter upon, take possession of, and manage the Property, either in person, by agent, or by a receiver appointed by a court, and collect any rents, income, deposits, or reserves and apply them to operate the Property;
- C. After notice provided for herein, make such repairs or replacements to the Property as are necessary and provide for payment thereof; or
- D. Pursue any other remedy allowed at law or in equity.

Notwithstanding anything to the contrary contained herein, City hereby agrees that any cure of any default made or tendered by one or more of Owner's limited partners shall be deemed to be a cure by Owner and shall be accepted or rejected on the same basis as if made or tendered by Owner.

56. **NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.** The City's officers, officials, employees or agents shall not be personally liable to Owner for any obligation created under the terms of this Regulatory Agreement except in the case of actual fraud or willful misconduct by such person.

57. **INDEMNIFICATION.** Except for the active negligence or willful misconduct of City, or any of its Boards, Officers, Agents, Employees, Assigns and Successors in Interest, Borrower undertakes and agrees to defend, indemnify and hold harmless the City and any of its Boards, Officers, Agents, Employees, Assigns, and Successors in Interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants); damages or liability of any nature whatsoever, for death or injury to any person, including Borrower's and any contractor's and subcontractor's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this Regulatory Agreement as a result (directly or indirectly) of or in connection with this Regulatory Agreement or the use of the Property by Borrower, its agents, employees, contractor or subcontractor of any tier, including suits, causes of action, claims, losses, demands and expenses relating to the condition of the Property. Rights and remedies available to the City under this provision are cumulative of those provided for elsewhere in this Regulatory Agreement and those allowed under the laws of the United States, the State of California, and the City. The provisions of this paragraph shall survive expiration or termination of this Loan Agreement.

58. **GOVERNING LAW.** This Regulatory Agreement shall be interpreted under and be governed by the laws of the State of California, except for those provisions relating to choice of law and those provisions preempted by federal law.

59. **CONFLICTS BETWEEN CITY DOCUMENTS.** In the event that any monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the terms of the City Note and City Deed of Trust shall control. In the event that any monetary provisions of the City Note and City Deed of Trust conflict or in the event that any non-monetary provisions of the City Loan Agreement, City Regulatory Agreement, City Deed of Trust, and/or City Note conflict, the strictest provision shall control.

60. **TIME.** Time is of the essence in this Regulatory Agreement.

61. **CONSENTS AND APPROVALS.** Any consent or approval of the City required under this Regulatory Agreement shall not be unreasonably withheld. Any approval must be in writing and executed by an authorized representative of the City.

62. **NOTICES, DEMANDS AND COMMUNICATIONS.** Formal notices, demands and communications between Owner and the City shall be sufficiently given and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, to the principal offices of Owner and the City as follows:

City: City of Los Angeles Housing Department
P.O. Box #532729
Los Angeles, CA 90053-2729
Attention: Asset Management
Copy to:
Director of Housing Development Division

Owner: New Pershing Apartments, L.P.
1317 East 7th Street
Los Angeles, California 90021
Attention: Executive Director

Copy to investor limited partner:
NEF Assignment Corporation
120 South Riverside Plaza, 15th Floor
Chicago, Illinois 60606
Attention: Sr. Vice President, Asset Management

63. **BINDING UPON SUCCESSORS.** All provisions of this Regulatory Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferee, and assigns of Owner and the City, and shall run with the land for the full term of this Regulatory Agreement, regardless of any assignment, payment, prepayment, expiration, extinguishment of any City Loan or City Note, any reconveyance of any City Deed of Trust, or any conveyance or transfer of the Property. Any successor-in-interest to Owner and any purchaser or transferee of the Property shall be subject to all of the duties and obligations imposed on Owner under this Regulatory Agreement for the full term of this Regulatory Agreement. The term "Owner" as used in this Regulatory Agreement shall include all such assigns, successors-in-interest, and transferee.

64. **RELATIONSHIP OF PARTIES.** The relationship of Owner and the City for this Project during the term of this Regulatory Agreement shall not be construed as a joint venture, equity venture, or partnership. The City neither undertakes nor assumes any responsibility or duty to Owner or any third party with respect to the operation of the Property or the actions of Owner. Except as the City may specify in writing, Owner shall have no authority to act as an agent of the City or to bind the City to any obligation.

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

66. **OTHER AGREEMENTS.** Owner represents that it has not and/or will not entered into any agreements that would restrict or compromise its ability to comply with the terms of this Regulatory Agreement. Owner shall not enter into any agreements that are inconsistent with the terms of this Regulatory Agreement without an express waiver by the City in writing.

67. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Regulatory Agreement must be in writing, and shall be made only if executed by both Owner and the City. No verbal agreement or conversation with any officer or employee of

either party shall affect or modify any terms and conditions of this Regulatory Agreement.

The Owner agrees to comply with all future City Directives or any rules, amendments or requirements promulgated by the City affecting this Regulatory Agreement.

68. **SEVERABILITY.** Every provision of this Regulatory Agreement is intended to be severable. If any provision of this Agreement shall be held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired.

69. **NONRECOURSE.** The City Loan is a nonrecourse obligation of Owner. Neither Owner nor any other party shall have any personal liability for repayment of the City Loan. The sole recourse of the City for repayment of the principal and interest shall be the exercise of the City's rights against the Property. However, nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement of all the rights and remedies of the City against all such security for the City Notes, or (b) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the City Notes as demand for money within the meaning of the California Code of Civil Procedure.

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 City Notes; except nothing contained in the foregoing is intended to relieve the Owner of personal liability for (1) fraud or willful misrepresentation; (2) failure to pay taxes, assessments or other charges (which are not contested by Owner in good faith) 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); (3) the Owner's indemnification obligations under the Loan Agreement; (4) misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security; and (5) failure to pay to the City any rental income or other income arising with respect to the Property received by the Owner after the City has given notice to the Owner of the occurrence of an Event of Default, subject to the rights of any lender providing a loan secured by the Property to which the lender has subordinated the Deed of Trust.

[Remainder of page intentionally left blank.]

[Signatures begin on next page.]

IN WITNESS WHEREOF, the City of Los Angeles and the Owner have caused this Regulatory Agreement to be executed by their duly authorized representatives.

Executed this 1 day of April, 2013
THE CITY OF LOS ANGELES
Los Angeles Housing Department

By: 
HELMI HISSERICH,
Assistant General Manager

APPROVED AS TO FORM:
CARMEN A. TRUTANICH, City Attorney

By: _____
Deputy/Assistant City Attorney

Date: _____

ATTEST:
JUNE LAGMAY, City Clerk

By: _____
Deputy City Clerk

Date: _____

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

County of Los Angeles

On April 1, 2013 before me, Angelica Nunez, Notary Public
(Here insert name and title of the officer)

personally appeared Helmi Hisserich

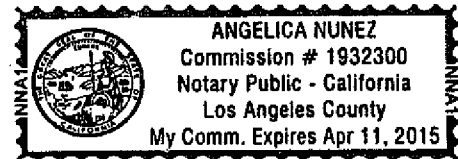
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s),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

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

WITNESS my hand and official seal.

Angelica Nunez
Signature of Notary Public

(Notary Seal)



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

Regulatory Agreement
(Title or description of attached document)

New Pershing Apts
(Title or description of attached document continued)

Number of Pages _____ Document Date _____

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

- ☐ Individual(s)
☐ Corporate Officer

(Title)

- ☐ Partner(s)
☐ Attorney-in-Fact
☐ Trustee(s)
☐ Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment.
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed.
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public).
- Print the name(s) of document signer(s) who personally appear at the time of notarization.
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they- is /are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording.
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal it a sufficient area permits, otherwise complete a different acknowledgment form.
- Signature of the notary public must match the signature on file with the office of the county clerk.
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document.
 - ❖ Indicate title or type of attached document, number of pages and date.
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary).
- Securely attach this document to the signed document

"Owner"

Executed this 29th day of
MARCH, 2013

NEW PERSHING APARTMENTS, L.P.

A California limited partnership

By: New Pershing Apartments

A California limited liability company

Its: General Partner

By: The Skid Row Housing Trust

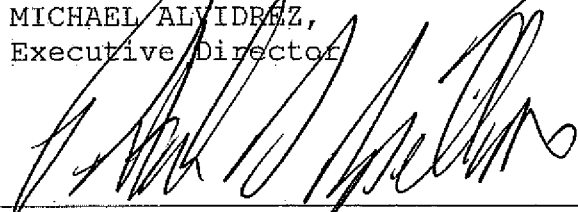
A California nonprofit public benefit corporation

Its: Sole Member and Manager

By:


MICHAEL ALVIDREZ,
Executive Director

By:


PATRICK SPILLANE,
Treasurer

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING

ACKNOWLEDGMENT

State of California
County of Los Angeles

On March 29, 2013 before me, Marilyn Bruce, Notary Public
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature Marilyn Bruce (Seal)



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

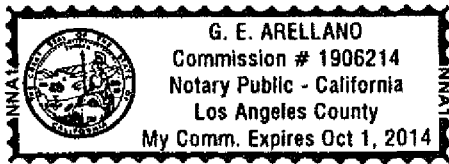
State of California

County of LOS Angeles

On 03/28/13 before me, G.E. Arellano, Notary Public

personally appeared Patrick Spillane

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



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

WITNESS my hand and official seal.

Signature: [Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

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

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____

☐ Corporate Officer — Title(s): _____ ☐ Corporate Officer — Title(s): _____

☐ Individual ☐ Partner — ☐ Limited ☐ General ☐ Individual ☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact ☐ Attorney in Fact

☐ Trustee ☐ Trustee

☐ Guardian or Conservator ☐ Guardian or Conservator

☐ Other: _____ ☐ Other: _____

Signer Is Representing: _____ Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER

Top of thumb here

RIGHT THUMBPRINT OF SIGNER

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EXHIBIT A
REGULATORY AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

LEGAL DESCRIPTION

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE COUNTY LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

PARCEL 1:

LOTS 23 AND 24 IN BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

PARCEL 2:

THAT PORTION OF BLOCK "D" OF THE RIVARA AND VIGNOLO TRACT, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5, PAGE 110 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE SOUTHEAST LINE OF MAIN STREET, 80 FEET WIDE, WITH THE PROLONGATION OF THE CENTER LINE OF A PARTY WALL, AS DESCRIBED IN BOOK 1734, PAGE 111, OF DEEDS, RECORDS OF LOS ANGELES COUNTY, SAID INTERSECTION BEING DISTANT SOUTH 37°54'45" WEST 73.87 FEET FROM THE SOUTHEAST CORNER OF FIFTH AND MAIN STREETS; THENCE ALONG SAID PROLONGATION AND CENTER LINE OF THE PARTY WALL, SOUTH 51°57'30" EAST 140.13 FEET TO A POINT IN THE NORTHWEST LINE OF 20 FOOT ALLEY, SAID POINT BEING DISTANT SOUTH 37°56' WEST 73.87 FEET FROM THE SOUTH LINE OF FIFTH STREET; THENCE ALONG SAID ALLEY SOUTH 37°56' WEST 36.27 FEET TO THE CENTER LINE OF A PARTY WALL AS DESCRIBED IN BOOK 1718, PAGE 234, OF SAID DEED RECORDS; THENCE ALONG SAID LAST MENTIONED CENTER LINE AND PROLONGATION THEREOF; NORTH 53°13' WEST 140.12 FEET TO SAID SOUTHEAST LINE OF MAIN STREET; THENCE ALONG MAIN STREET, NORTH 37°54'45" EAST 36.90 FEET TO THE POINT OF BEGINNING.

ASSESSOR'S IDENTIFICATION NUMBERS: 5148-019-010 and
5148-019-011

COMMON ADDRESSES: 108 East 5th Street
(a.k.a.: 502 South Main Street)
Los Angeles, California 90013

BORROWER: NEW PERSHING APARTMENTS, L.P.
A California limited partnership

EXHIBIT B
REGULATORY AGREEMENT
OCCUPANCY AND RENT RESTRICTIONS
 New Pershing Apartments
 108 East 5th Street, Los Angeles, CA 90013

INCOME LIMIT SCHEDULE

Family Size	Very Very 30%	40%	Very Low 50%	60%	Income 100%
1	17,400	23,200	29,000	34,800	58,000
2	19,890	26,520	33,150	39,780	66,300
3	22,380	29,840	37,300	44,760	74,600
4	24,840	33,120	41,400	49,680	82,800
5	26,850	35,800	44,750	53,700	89,500
6	28,830	38,440	48,050	57,660	96,100
7	30,810	41,080	51,350	61,620	102,700
8	32,790	43,720	54,650	65,580	109,300

RENT LIMIT SCHEDULE

TCAC/ MHP Rent Limits		
	100%	Utility
Eff	1,450	29
1-bdrm	1,552	39
2-bdrm	1,864	48
3-bdrm	2,152	58
4-bdrm	2,402	70
5-bdrm	2,650	80

RENT SCHEDULE

Unit Type	Percent Median	Monthly Gross Rent	Monthly Utility Allow.	Monthly Net Rent	Total Number of Units	Total # of Bdms.	HOME-Assisted Units Regulated by LAHD *	Units Regulated by TCAC
Efficiency	30%	\$435	\$0	\$435	35	35	35	35
Efficiency	45%	\$653	\$0	\$653	15	15	18	15
Efficiency	60%	\$870	\$0	\$870	14	14	12	14
One Bdrm	45%	\$698	\$0	\$698	3	3	2	3
Mgr-0 br	N/A	\$0	\$0	\$0	1	1	0	0
Mgr-1 br	N/A	\$0	\$0	\$0	1	1	0	0
TOTAL					69	69	67	67

The income and rent schedules are effective December 4, 2012 .

* Overlaid with CDBG Units when applicable.

The City may revise the Income Limits and Rent Schedule annually as reflected by changes in the area median income for Los Angeles. In the event of a conflicts between requirements of HUD project based rental asisted buildings and the income limits and rents set forth herein the HUD contract limits shall control.

Utility Allowances are published by the Housing Authority of City of Los Angeles (HACLA) including gas space heating, gas cooking, basic electricity, code enforcement and rent stabilization, or as calculated by California Utility Allowance Calculator method approved by the California Tax Allocation Committee.

Number of units regulated by percent of median income

AMI	LAHD	TCAC
30%	35	35
45%	20	20
60%	12	12
Total Units	67	67

EXHIBIT C1
REGULATORY AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

(INSURANCE REQUIREMENTS)

I. INSURANCE COVERAGE.

1. General Conditions. During the term of this Loan Agreement and Regulatory Agreement and without limiting Borrower's indemnification of the CITY, Borrower shall provide, maintain and ensure that any contractor or subcontractor provide and maintain, at its own expense a program of insurance having the coverages and limits customarily carried and actually arranged by Borrower and any contractor or subcontractor but not less than the amounts and types listed on the Insurance Requirements Sheet (Form Gen 146/IR in Exhibit Q of the City Loan Agreement), covering its operations hereunder. Such insurance shall conform to CITY requirements established by Charter, ordinance or policy, shall comply with the instructions set forth on Form General 133 and with the conditions set forth on the applicable City Special Endorsement form(s), copies of which are included in Exhibit Q, and shall otherwise be in a form acceptable to the City Attorney. Specifically, such insurance shall: 1) protect CITY as an Insured or an Additional Interest Party, or a Loss Payee As Its Interests May Appear, respectively, when such status is appropriate and available depending on the nature of the applicable coverages; 2) provide CITY at least thirty (30) days advance written notice of cancellation, material reduction in coverage or reduction in limits when such change is made at the option of the insurer; and 3) be primary with respect to CITY'S insurance program. Except when CITY is a named insured, Borrower's and any contractor's and subcontractor's insurance is not expected to respond to claims which may arise from the acts or omissions of the CITY.
2. Modification of Coverage. CITY reserves the right at any time during the term of this Loan Agreement and Regulatory Agreement to change the amounts and types of insurance required hereunder by giving Borrower and any contractor and subcontractor ninety (90) days advance written notice of such change. If such change should

result in substantial additional cost to the Borrower and any contractor and subcontractor, CITY agrees to negotiate additional compensation proportional to the increased benefit to CITY.

3. Failure to Procure Insurance. All required insurance must be submitted and approved by the City Attorney prior to the commencement of any work, inception of any operations, or tenancy by Borrower and any contractor and subcontractor. The required coverages and limits are subject to availability on the open market at reasonable cost as determined by CITY. Non-availability or non-affordability must be documented by a letter from Borrower's and any contractor's and subcontractor's insurance broker or agent indicating a good faith effort to place the required insurance and showing as a minimum the names of the insurance carriers and the declinations or quotations received from each.

Within the foregoing constraints, Borrower's and any contractor's and subcontractor's failure to procure or maintain required insurance or a self-insurance program during the entire term of this Loan Agreement and Regulatory Agreement shall constitute a material breach of this Loan Agreement under which CITY may immediately suspend or terminate this Loan Agreement or, at its discretion, procure or renew such insurance to protect CITY'S interests and pay any and all premiums in connection therewith and shall become an additional obligation of Borrower to Lender and shall be secured by the Deed of Trust.

4. Builder's Risk Policy and Physical Damage Policy. During the period of construction, Owner must obtain or cause to be obtained a builder's risk or equivalent policy covering damage or loss up to the value of labor and materials and naming the City as loss payee as its interests may appear.

After completion of the Project, Owner must cause to be issued a physical damage insurance policy covering the replacement value of the property as mutually agreed between Owner and insurer with a lender's loss payable endorsement listing the City and Owner as the loss payee as their interests may appear. This policy must remain in effect throughout the term of the Loan.

5. Proceeds All proceeds of insurance with respect to loss or damage to the Project during the term of the Loan shall be payable, under the provisions of the policy of insurance, jointly to the, Owner, the City, construction lender[s], permanent lenders and any other lender permitted by the City, and said proceeds shall constitute a trust fund to be used for the restoration, repair or rebuilding of the Project in accordance with plans and specifications approved in writing by the City. To the extent that such proceeds exceed the cost of such restoration, repair or rebuilding, such proceeds shall be applied first to repay the construction lenders and second to repay the City Loan. In the event of any fire or other casualty to the project or eminent domain proceedings resulting in condemnation of the project improvements or any part thereof, the Owner shall have the right to rebuild the improvements, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the City Loan in balance and rebuild the improvements in a manner that provides adequate security to the City for repayment of the City Loan or if such proceeds are insufficient then the Owner shall have funded any deficiency, (b) the City shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the City Loan. If the casualty or condemnation affects only part of the improvements and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the City Loan in a manner that provides adequate security to the City for repayment of the remaining balance of the City Loans.

6. Underlying Insurance

Owner shall be responsible for requiring indemnification and insurance as it deems appropriate from its employees receiving mileage allowance and from its consultants, agents and subcontractors, if any, to protect Owner's and City's interests and for ensuring that such persons comply with any applicable insurance statutes. Owner is encouraged to seek professional advice in this regard.

7. Worker's Compensation. By signing this Loan Agreement, Borrower hereby certifies that it is aware and shall make any contractor and subcontractor aware of the provisions of Section 3700 et seq., of the Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and that it will comply with such provisions at all such times as they may apply during the performance of the work pursuant to this Loan Agreement.

A Waiver of Subrogation in favor of CITY will be required when work is performed on CITY premises under hazardous conditions.

EXHIBIT C2
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

INSURANCE REQUIREMENTS

Name New Pershing Apartments, L.P.

Address 108 East 5th Street (a.k.a.: 502 South Main Street),
Los Angeles, California 90013

At close of escrow, the LAHD must receive a one (1) year prepaid Certificate of Insurance policy (or binder followed by a certificate within thirty (30) days of loan closing) evidencing the following coverage:

1. HAZARD (PROPERTY)

Perils: All risk; or Fire & Lightning, Extended Coverage, Vandalism & Malicious Mischief, including Loss of Rents coverage for at least 12 months.

Covered
Property: Structure; and City-owned equipment and supplies.

Amount: Replacement value (or less if approved by LAHD).

Coinsurance: Not less than 90%.

Deductible: \$2,500 maximum deductible per occurrence; or \$1,000 more with City concurrence.

Loss Payable
Endorsement: Lenders Loss Payable Endorsement in favor of the City.

Boiler & Related
Machinery: (When applicable) 80% coinsurance; replacement cost coverage is required.

2. FLOOD INSURANCE:

If the project is located in Special Flood Hazard Area (SFHA), replacement cost coverage is required, including Loss of Rents coverage.

3. COMPREHENSIVE GENERAL LIABILITY:

Minimum Amount:

<u>Number of Bedrooms</u>	<u>Liability Ins. Requirements</u>
1 - 8	\$1,000,000
9 - 40	2,000,000
41 - 60	3,000,000
61 - 80	4,000,000
81 -100	5,000,000
101 +	7,000,000

Evidence of comprehensive general liability insurance should be submitted on either the City's Special Endorsement form or by submitting two (2) certified copies of the policy including the additional insured and cancellation notice endorsements.

4. WORKER'S COMPENSATION

Required by State law if employees are involved.

ALL POLICIES MUST INCLUDE THE FOLLOWING:

Name Insured: Owner

Additional Insured: City of Los Angeles, its officers, agencies and employees shall be included as additional insureds.

Cancellation Clause: The City must be notified 30 days prior to insurance company's cancellation of policy by certified mail.

The City should be identified on all insurance documents as follows, including the project name, street name, street address, city and county:

Los Angeles Housing Department
of the City of Los Angeles
P.O. Box 532729
Los Angeles, CA 90053-2729

EXHIBIT L
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

ASSIGNMENT OF ARCHITECT'S CONTRACT
AND PLANS AND SPECIFICATIONS AND PERMITS
(With Architect's Consent and Certificate)

FOR GOOD AND VALUABLE CONSIDERATION, receipt of which is hereby acknowledged New Pershing Apartments, L.P., a California limited partnership (the "Borrower"), as security for the obligations incurred and to be incurred by Borrower pursuant to the Loan Agreement dated APRIL 2, 2013 (the "Loan Agreement") between Borrower and the City of Los Angeles, a municipal corporation ("City"), relating to the financing of Acquisition, Construction and Permanent on certain real property located in the City of Los Angeles, County of Los Angeles, California (the "Site"), as described in the Loan Agreement, hereby assigns and transfers to the City of Los Angeles ("City"), its successors and assigns, all of (1) Borrower's rights in and to those certain Plans and Specifications together with all amendments, modifications, supplements, general conditions and addenda thereto relating to the Site, prepared pursuant to the Loan Agreement (the "Plans") by Killefer Flammang Architects ("Architect"), (2) Borrower's right, title and interest in that certain agreement dated 1/20, 2012, between Borrower and Architect, a true and complete copy of which is attached hereto and incorporated herein by reference as Exhibit A (the "Contract"), and (3) all permits to be obtained by or for the benefit of Borrower relating to the Plans or the Project ("Permits"). Architect consents to this Assignment, and has executed the Consent and Certificate attached hereto as Exhibit B and incorporated herein by this reference.

Neither this Assignment nor any action or actions on the part of the City shall constitute an assumption by the City of any of Borrower's obligations under the Contract unless and until the City shall have given written notice to Architect of its election to complete construction of the Project following a default by Borrower under the Loan Agreement. Borrower shall continue to be liable for all obligations under the Contract and Borrower hereby agrees to perform each and all such obligations. In the event of a default under the Loan Agreement, the City may elect to reassign its rights to the Plans, the Permits and the specifications under the Contract to any person or entity selected by the City to complete the Project. Such person or entity shall succeed to all of the rights of Borrower thereunder without the necessity of any consent from Borrower or Architect and the City shall have no liability for any failure of such person or entity to perform the obligations under the Contract. Provided, however, that in the event the City reassigns its rights to the Plans to another person or entity, the Architect's name shall not be used in connection therewith unless the Architect so approves in writing.

Borrower hereby represents and warrants to the City that (1) the Contract is in full force and effect with no defaults thereunder by either Borrower or Architect, (2) no event has occurred that would constitute a default under the Contract upon the giving of notice or the lapse of time or both, and (3) Borrower has made no previous assignment of, and granted no security interest in, its rights to the Plans, the Permits or the specifications under the Contract. Borrower agrees that (a) it will not assign, transfer or encumber its rights to the Plans, the Permits or under the Contract so long as any obligation under the Loan Agreement remains unsatisfied, (b) it will not agree to any amendment of the Contract without the prior written consent of the City, (c) it will not terminate the Contract or accept a surrender thereof, or waive, excuse, condone or in any manner release or discharge Architect of or from the obligations and agreements by Architect to be performed thereunder, in the manner and at the place and time specified therein without the prior written consent of the City, and (d) it will indemnify the City against any liabilities, losses, costs and expenses, including reasonable attorneys' fees, which may be incurred by the City as a result of the exercise of its rights under this Assignment.

The City shall have the right at any time (but shall have no obligation) to take in its name or in the name of Borrower or otherwise such action as the City may at the time or from time to time determine to be necessary to cure any default under the Contract, to protect the rights of Borrower or the City thereunder, or enforce all rights of Borrower under the Contract, Borrower hereby irrevocably constitutes and appoints the City its true and lawful attorney in Borrower's name or in the City's name or otherwise to take all such action. The exercise of the City's rights hereunder shall not constitute a waiver of any of the remedies of the City under the Loan Agreement or any other document or agreement or otherwise existing at law or otherwise.

Executed this _____ day of _____, 2013

NEW PERSHING APARTMENTS, L.P.

A California limited partnership

By: New Pershing Apartments

A California limited liability company

Its: General Partner

By: The Skid Row Housing Trust

A California nonprofit public benefit corporation

Its: Sole Member and Manager

By: _____

MICHAEL ALVAREZ,
Executive Director

By: _____

PATRICK SPILLANE,
Treasurer

EXHIBIT A
ASSIGNMENT OF ARCHITECT'S CONTRACT
AND PLANS AND SPECIFICATIONS AND PERMITS
(With Architect's Consent and Certificate)
(NEW PERSHING APARTMENTS PROJECT)

ARCHITECT'S CONTRACT

[To Be Added]

AIA® Document B101™ – 2007

Standard Form of Agreement Between Owner and Architect

AGREEMENT made as of the Twentieth day of January in the year Two Thousand Twelve
(In words, indicate day, month and year.)

BETWEEN the Architect's client identified as the Owner:
(Name, legal status, address and other information)

Skid Row Housing Trust
1317 E Seventh Street Los Angeles, CA 90021

and the Architect:
(Name, legal status, address and other information)

Killefer Flammang Architects
1625 Olympic Boulevard
Santa Monica, CA 90404
Telephone Number: 310-399-7975
Fax Number: 310-399-8545

for the following Project:
(Name, location and detailed description)

New Pershing Apartments
500-510 South Main Street Los Angeles, CA 90013

Demolition of an existing 69 unit hotel and new construction of 67 efficiency units and 2 one-bedroom units with community spaces and street front retail.

The Owner and Architect agree as follows.

ADDITIONS AND DELETIONS:

The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

bill.

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User Notes:

(1631674600)

TABLE OF ARTICLES

- 1 INITIAL INFORMATION
- 2 ARCHITECT'S RESPONSIBILITIES
- 3 SCOPE OF ARCHITECT'S BASIC SERVICES
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- 5 OWNER'S RESPONSIBILITIES
- 6 COST OF THE WORK
- 7 COPYRIGHTS AND LICENSES
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- 9 TERMINATION OR SUSPENSION
- 10 MISCELLANEOUS PROVISIONS
- 11 COMPENSATION
- 12 SPECIAL TERMS AND CONDITIONS
- 13 SCOPE OF THE AGREEMENT

EXHIBIT A INITIAL INFORMATION

ARTICLE 1 INITIAL INFORMATION

§ 1.1 This Agreement is based on the Initial Information set forth in this Article 1 and in optional Exhibit A, Initial Information:

(Complete Exhibit A, Initial Information, and incorporate it into the Agreement at Section 13.2, or state below Initial Information such as details of the Project's site and program, Owner's contractors and consultants, Architect's consultants, Owner's budget for the Cost of the Work, authorized representatives, anticipated procurement method, and other information relevant to the Project.)

Demolition of an existing 69 unit hotel and new construction of 67 efficiency Units and 2 one-bedroom units with community spaces and street front retail.

§ 1.2 The Owner's anticipated dates for commencement of construction and Substantial Completion of the Work are set forth below:

.1 Commencement of construction date:

December 01, 2012

.2 Substantial Completion date:

December 31, 2013

§ 1.3 The Owner and Architect may rely on the Initial Information. Both parties, however, recognize that such information may materially change and, in that event, the Owner and the Architect shall appropriately adjust the schedule, the Architect's services and the Architect's compensation.

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ARTICLE 2 ARCHITECT'S RESPONSIBILITIES

§ 2.1 The Architect shall provide the professional services as set forth in this Agreement.

§ 2.2 The Architect shall perform its services consistent with the professional skill and care ordinarily provided by architects practicing in the same or similar locality under the same or similar circumstances. The Architect shall perform its services as expeditiously as is consistent with such professional skill and care and the orderly progress of the Project.

§ 2.3 The Architect shall identify a representative authorized to act on behalf of the Architect with respect to the Project.

§ 2.4 Except with the Owner's knowledge and consent, the Architect shall not engage in any activity, or accept any employment, interest or contribution that would reasonably appear to compromise the Architect's professional judgment with respect to this Project.

§ 2.5 The Architect shall maintain the following insurance for the duration of this Agreement. If any of the requirements set forth below exceed the types and limits the Architect normally maintains, the Owner shall reimburse the Architect for any additional cost:

(Identify types and limits of insurance coverage, and other insurance requirements applicable to the Agreement, if any.)

.1 General Liability

\$1,000,000.00

.2 Automobile Liability

\$1,000,000.00

.3 Workers' Compensation

\$1,000,000.00

.4 Professional Liability

\$2,000,000.00

ARTICLE 3 SCOPE OF ARCHITECT'S BASIC SERVICES

§ 3.1 The Architect's Basic Services consist of those described in Article 3 and include usual and customary structural, mechanical, and electrical engineering services. Services not set forth in this Article 3 are Additional Services.

§ 3.1.1 The Architect shall manage the Architect's services, consult with the Owner, research applicable design criteria, attend Project meetings, communicate with members of the Project team and report progress to the Owner.

§ 3.1.2 The Architect shall coordinate its services with those services provided by the Owner and the Owner's consultants. The Architect shall be entitled to rely on the accuracy and completeness of services and information furnished by the Owner and the Owner's consultants. The Architect shall provide prompt written notice to the Owner if the Architect becomes aware of any error, omission or inconsistency in such services or information.

§ 3.1.3 As soon as practicable after the date of this Agreement, the Architect shall submit for the Owner's approval a schedule for the performance of the Architect's services. The schedule initially shall include anticipated dates for the commencement of construction and for Substantial Completion of the Work as set forth in the Initial Information. The schedule shall include allowances for periods of time required for the Owner's review, for the performance of the Owner's consultants, and for approval of submissions by authorities having jurisdiction over the Project. Once approved by the Owner, time limits established by the schedule shall not, except for reasonable cause, be exceeded by the Architect or Owner. With the Owner's approval, the Architect shall adjust the schedule, if necessary, as the Project proceeds until the commencement of construction.

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User Notes:

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§ 3.1.4 The Architect shall not be responsible for an Owner's directive or substitution made without the Architect's approval.

§ 3.1.5 The Architect shall, at appropriate times, contact the governmental authorities required to approve the Construction Documents and the entities providing utility services to the Project. In designing the Project, the Architect shall respond to applicable design requirements imposed by such governmental authorities and by such entities providing utility services.

§ 3.1.6 The Architect shall assist the Owner in connection with the Owner's responsibility for filing documents required for the approval of governmental authorities having jurisdiction over the Project.

§ 3.2 SCHEMATIC DESIGN PHASE SERVICES

§ 3.2.1 The Architect shall review the program and other information furnished by the Owner, and shall review laws, codes, and regulations applicable to the Architect's services.

§ 3.2.2 The Architect shall prepare a preliminary evaluation of the Owner's program, schedule, Project site, and the proposed procurement or delivery method and other Initial Information, each in terms of the other, to ascertain the requirements of the Project. The Architect shall notify the Owner of (1) any inconsistencies discovered in the information, and (2) other information or consulting services that may be reasonably needed for the Project.

§ 3.2.3 The Architect shall present its preliminary evaluation to the Owner and shall discuss with the Owner alternative approaches to design and construction of the Project, including the feasibility of incorporating environmentally responsible design approaches. The Architect shall reach an understanding with the Owner regarding the requirements of the Project.

§ 3.2.4 Based on the Project's requirements agreed upon with the Owner, the Architect shall prepare and present for the Owner's approval a preliminary design illustrating the scale and relationship of the Project components.

§ 3.2.5 Based on the Owner's approval of the preliminary design, the Architect shall prepare Schematic Design Documents for the Owner's approval. The Schematic Design Documents shall consist of drawings and other documents including a site plan, if appropriate, and preliminary building plans, sections and elevations; and may include some combination of study models, perspective sketches, or digital modeling. Preliminary selections of major building systems and construction materials shall be noted on the drawings or described in writing.

§ 3.2.5.1 The Architect shall consider environmentally responsible design alternatives, such as material choices and building orientation, together with other considerations based on program and aesthetics, in developing a design that is consistent with the Owner's program, schedule and budget for the Cost of the Work. The Owner may obtain other environmentally responsible design services under Article 4.

§ 3.2.5.2 The Architect shall consider the value of alternative materials, building systems and equipment, together with other considerations based on program and aesthetics, in developing a design for the Project that is consistent with the Owner's program, schedule and budget for the Cost of the Work.

§ 3.2.6 The Architect shall submit to the Owner an estimate of the Cost of the Work prepared in accordance with Section 6.3.

§ 3.2.7 The Architect shall submit the Schematic Design Documents to the Owner, hold meeting with Owner's staff for design comments and request the Owner's approval.

§ 3.3 DESIGN DEVELOPMENT PHASE SERVICES

§ 3.3.1 Based on the Owner's approval of the Schematic Design Documents, and on the Owner's authorization of any adjustments in the Project requirements, the Architect shall prepare Design Development Documents for the Owner's approval. The Design Development Documents shall illustrate and describe the development of the approved Schematic Design Documents and shall consist of drawings and other documents including plans, sections, elevations, typical construction details, and diagrammatic layouts of building systems to fix and describe the size and character of the Project as to architectural, structural, mechanical and electrical systems, and such other

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elements as may be appropriate. The Design Development Documents shall also include outline specifications that identify major materials and systems and establish in general their quality levels.

§ 3.3.2 The Architect shall update the estimate of the Cost of the Work.

§ 3.3.3 The Architect shall submit the Design Development Documents to the Owner, advise the Owner of any adjustments to the estimate of the Cost of the Work, hold meeting with Owner's Staff for design comments and request the Owner's approval.

§ 3.4 CONSTRUCTION DOCUMENTS PHASE SERVICES

§ 3.4.1 Based on the Owner's approval of the Design Development Documents, and on the Owner's authorization of any adjustments in the Project requirements, the Architect shall prepare Construction Documents for the Owner's approval. The Construction Documents shall illustrate and describe the further development of the approved Design Development Documents and shall consist of Drawings and Specifications setting forth in detail the quality levels of materials and systems and other requirements for the construction of the Work. The Owner and Architect acknowledge that in order to construct the Work the Contractor will provide additional information, including Shop Drawings, Product Data, Samples and other similar submittals, which the Architect shall review in accordance with Section 3.6.4.

§ 3.4.2 The Architect shall incorporate into the Construction Documents the design requirements of governmental authorities having jurisdiction over the Project.

§ 3.4.3 During the development of the Construction Documents, the Architect shall assist the Owner in the development and preparation of (1) bidding and procurement information that describes the time, place and conditions of bidding, including bidding or proposal forms; (2) the form of agreement between the Owner and Contractor; and (3) the Conditions of the Contract for Construction (General, Supplementary and other Conditions). The Architect shall also compile a project manual that includes the Conditions of the Contract for Construction and Specifications and may include bidding requirements and sample forms.

§ 3.4.4 The Architect shall update the estimate for the Cost of the Work.

§ 3.4.5 The Architect shall submit the Construction Documents to the Owner, advise the Owner of any adjustments to the estimate of the Cost of the Work, take any action required under Section 6.5, and request the Owner's approval.

§ 3.5 BIDDING OR NEGOTIATION PHASE SERVICES - Intentionally Omitted

(Paragraphs deleted)

§ 3.6 CONSTRUCTION PHASE SERVICES

§ 3.6.1 GENERAL

§ 3.6.1.1 The Architect shall provide administration of the Contract between the Owner and the Contractor as set forth below and in AIA Document A201™-2007, General Conditions of the Contract for Construction. If the Owner and Contractor modify AIA Document A201-2007, those modifications shall not affect the Architect's services under this Agreement unless the Owner and the Architect amend this Agreement.

§ 3.6.1.2 The Architect shall advise and consult with the Owner during the Construction Phase Services. The Architect shall have authority to act on behalf of the Owner only to the extent provided in this Agreement. The Architect shall not have control over, charge of, or responsibility for the construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, nor shall the Architect be responsible for the Contractor's failure to perform the Work in accordance with the requirements of the Contract Documents. The Architect shall be responsible for the Architect's negligent acts or omissions, but shall not have control over or charge of, and shall not be responsible for, acts or omissions of the Contractor or of any other persons or entities performing portions of the Work.

§ 3.6.1.3 Subject to Section 4.3, the Architect's responsibility to provide Construction Phase Services commences with the award of the Contract for Construction and terminates on the date the Architect issues the final Certificate for Payment.

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§ 3.6.2 EVALUATIONS OF THE WORK

§ 3.6.2.1 The Architect shall visit the site at intervals appropriate to the stage of construction, or as otherwise required in Section 4.3.3, to become generally familiar with the progress and quality of the portion of the Work completed, and to determine, in general, if the Work observed is being performed in a manner indicating that the Work, when fully completed, will be in accordance with the Contract Documents. However, the Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. On the basis of the site visits, the Architect shall keep the Owner reasonably informed about the progress and quality of the portion of the Work completed, and report to the Owner (1) known deviations from the Contract Documents and from the most recent construction schedule submitted by the Contractor, and (2) defects and deficiencies observed in the Work.

§ 3.6.2.2 The Architect has the authority to reject Work that does not conform to the Contract Documents. Whenever the Architect considers it necessary or advisable, the Architect shall have the authority to require inspection or testing of the Work in accordance with the provisions of the Contract Documents, whether or not such Work is fabricated, installed or completed. However, neither this authority of the Architect nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the Architect to the Contractor, Subcontractors, material and equipment suppliers, their agents or employees or other persons or entities performing portions of the Work.

§ 3.6.2.3 The Architect shall interpret and decide matters concerning performance under, and requirements of, the Contract Documents on written request of either the Owner or Contractor. The Architect's response to such requests shall be made in writing within any time limits agreed upon or otherwise with reasonable promptness.

§ 3.6.2.4 Interpretations and decisions of the Architect shall be consistent with the intent of and reasonably inferable from the Contract Documents and shall be in writing or in the form of drawings. When making such interpretations and decisions, the Architect shall endeavor to secure faithful performance by both Owner and Contractor, shall not show partiality to either, and shall not be liable for results of interpretations or decisions rendered in good faith. The Architect's decisions on matters relating to aesthetic effect shall be final if consistent with the intent expressed in the Contract Documents.

§ 3.6.2.5 Unless the Owner and Contractor designate another person to serve as an Initial Decision Maker, as that term is defined in AIA Document A201-2007, the Architect shall render initial decisions on Claims between the Owner and Contractor as provided in the Contract Documents.

§ 3.6.3 CERTIFICATES FOR PAYMENT TO CONTRACTOR

§ 3.6.3.1 The Architect shall review and certify the amounts due the Contractor and shall issue certificates in such amounts. The Architect's certification for payment shall constitute a representation to the Owner, based on the Architect's evaluation of the Work as provided in Section 3.6.2 and on the data comprising the Contractor's Application for Payment, that, to the best of the Architect's knowledge, information and belief, the Work has progressed to the point indicated and that the quality of the Work is in accordance with the Contract Documents. The foregoing representations are subject (1) to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, (2) to results of subsequent tests and inspections, (3) to correction of minor deviations from the Contract Documents prior to completion, and (4) to specific qualifications expressed by the Architect.

§ 3.6.3.2 The issuance of a Certificate for Payment shall not be a representation that the Architect has (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the Work, (2) reviewed construction means, methods, techniques, sequences or procedures, (3) reviewed copies of requisitions received from Subcontractors and material suppliers and other data requested by the Owner to substantiate the Contractor's right to payment, or (4) ascertained how or for what purpose the Contractor has used money previously paid on account of the Contract Sum.

§ 3.6.3.3 The Architect shall maintain a record of the Applications and Certificates for Payment.

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§ 3.6.4 SUBMITTALS

§ 3.6.4.1 The Architect shall review the Contractor's submittal schedule and shall not unreasonably delay or withhold approval. The Architect's action in reviewing submittals shall be taken in accordance with the approved submittal schedule or, in the absence of an approved submittal schedule, with reasonable promptness while allowing sufficient time in the Architect's professional judgment to permit adequate review.

§ 3.6.4.2 In accordance with the Architect-approved submittal schedule, the Architect shall review and approve or take other appropriate action upon the Contractor's submittals such as Shop Drawings, Product Data and Samples, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. Review of such submittals is not for the purpose of determining the accuracy and completeness of other information such as dimensions, quantities, and installation or performance of equipment or systems, which are the Contractor's responsibility. The Architect's review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the Architect, of any construction means, methods, techniques, sequences or procedures. The Architect's approval of a specific item shall not indicate approval of an assembly of which the item is a component.

§ 3.6.4.3 If the Contract Documents specifically require the Contractor to provide professional design services or certifications by a design professional related to systems, materials or equipment, the Architect shall specify the appropriate performance and design criteria that such services must satisfy. The Architect shall review Shop Drawings and other submittals related to the Work designed or certified by the design professional retained by the Contractor that bear such professional's seal and signature when submitted to the Architect. The Architect shall be entitled to rely upon the adequacy, accuracy and completeness of the services, certifications and approvals performed or provided by such design professionals.

§ 3.6.4.4 Subject to the provisions of Section 4.3, the Architect shall review and respond to requests for information about the Contract Documents. The Architect shall set forth in the Contract Documents the requirements for requests for information. Requests for information shall include, at a minimum, a detailed written statement that indicates the specific Drawings or Specifications in need of clarification and the nature of the clarification requested. The Architect's response to such requests shall be made in writing within any time limits agreed upon, or otherwise with reasonable promptness. If appropriate, the Architect shall prepare and issue supplemental Drawings and Specifications in response to requests for information.

§ 3.6.4.5 The Architect shall maintain a record of submittals and copies of submittals supplied by the Contractor in accordance with the requirements of the Contract Documents.

§ 3.6.5 CHANGES IN THE WORK

§ 3.6.5.1 The Architect may authorize minor changes in the Work that are consistent with the intent of the Contract Documents and do not involve an adjustment in the Contract Sum or an extension of the Contract Time. Subject to the provisions of Section 4.3, the Architect shall prepare Change Orders and Construction Change Directives for the Owner's approval and execution in accordance with the Contract Documents.

§ 3.6.5.2 The Architect shall maintain records relative to changes in the Work.

§ 3.6.6 PROJECT COMPLETION

§ 3.6.6.1 The Architect shall conduct inspections to determine the date or dates of Substantial Completion and the date of final completion; issue Certificates of Substantial Completion; receive from the Contractor and forward to the Owner, for the Owner's review and records, written warranties and related documents required by the Contract Documents and assembled by the Contractor; and issue a final Certificate for Payment based upon a final inspection indicating the Work complies with the requirements of the Contract Documents.

§ 3.6.6.2 The Architect's inspections shall be conducted with the Owner to check conformance of the Work with the requirements of the Contract Documents and to verify the accuracy and completeness of the list submitted by the Contractor of Work to be completed or corrected.

§ 3.6.6.3 When the Work is found to be substantially complete, the Architect shall inform the Owner about the balance of the Contract Sum remaining to be paid the Contractor, including the amount to be retained from the Contract Sum, if any, for final completion or correction of the Work.

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§ 3.6.6.4 The Architect shall forward to the Owner the following information received from the Contractor: (1) consent of surety or sureties, if any, to reduction in or partial release of retainage or the making of final payment; (2) affidavits, receipts, releases and waivers of liens or bonds indemnifying the Owner against liens; and (3) any other documentation required of the Contractor under the Contract Documents.

§ 3.6.6.5 Upon request of the Owner, and prior to the expiration of one year from the date of Substantial Completion, the Architect shall, without additional compensation, conduct a meeting with the Owner to review the facility operations and performance.

ARTICLE 4 ADDITIONAL SERVICES

§ 4.1 Additional Services listed below are not included in Basic Services but may be required for the Project. The Architect shall provide the listed Additional Services only if specifically designated in the table below as the Architect's responsibility, and the Owner shall compensate the Architect as provided in Section 11.2.

(Designate the Additional Services the Architect shall provide in the second column of the table below. In the third column indicate whether the service description is located in Section 4.2 or in an attached exhibit. If in an exhibit, identify the exhibit.)

Additional Services	Responsibility (Architect, Owner or Not Provided)	Location of Service Description (Section 4.2 below or in an exhibit attached to this document and identified below)
§ 4.1.1 Programming		
§ 4.1.2 Multiple preliminary designs		
§ 4.1.3 Measured drawings		
§ 4.1.4 Existing facilities surveys		
§ 4.1.5 Site Evaluation and Planning (B203™-2007)		
§ 4.1.6 Building information modeling		
§ 4.1.7 Civil engineering		
§ 4.1.8 Landscape design		
§ 4.1.9 Architectural Interior Design (B252™-2007)		
§ 4.1.10 Value Analysis (B204™-2007)		
§ 4.1.11 Detailed cost estimating		
§ 4.1.12 On-site project representation		
§ 4.1.13 Conformed construction documents		
§ 4.1.14 As-Designed Record drawings		
§ 4.1.15 As-Constructed Record drawings		
§ 4.1.16 Post occupancy evaluation		
§ 4.1.17 Facility Support Services (B210™-2007)		
§ 4.1.18 Tenant-related services		
§ 4.1.19 Coordination of Owner's consultants		
§ 4.1.20 Telecommunications/data design		
§ 4.1.21 Security Evaluation and Planning (B206™-2007)		
§ 4.1.22 Commissioning (B211™-2007)		
§ 4.1.23 Extensive environmentally responsible design		
§ 4.1.24 LBED® Certification (B214™-2007)	Architect	
§ 4.1.25 Fast-track design services		
§ 4.1.26 Historic Preservation (B205™-2007)	Architect	
§ 4.1.27 Furniture, Furnishings, and Equipment Design (B253™-2007)		

§ 4.2 Insert a description of each Additional Service designated in Section 4.1 as the Architect's responsibility, if not further described in an exhibit attached to this document.

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§ 4.3 Additional Services may be provided after execution of this Agreement, without invalidating the Agreement. Except for services required due to the fault of the Architect, any Additional Services provided in accordance with this Section 4.3 shall entitle the Architect to compensation pursuant to Section 11.3 and an appropriate adjustment in the Architect's schedule.

§ 4.3.1 Upon recognizing the need to perform the following Additional Services, the Architect shall notify the Owner with reasonable promptness and explain the facts and circumstances giving rise to the need. The Architect shall not proceed to provide the following services until the Architect receives the Owner's written authorization:

- .1 Services necessitated by a change in the Initial Information, previous instructions or approvals given by the Owner, or a material change in the Project including, but not limited to, size, quality, complexity, the Owner's schedule or budget for Cost of the Work, or procurement or delivery method;
- .2 Services necessitated by the Owner's request for extensive environmentally responsible design alternatives, such as unique system designs, in-depth material research, or energy modeling;
- .3 Changing or editing previously prepared Instruments of Service necessitated by the enactment or revision of codes, laws or regulations or official interpretations;
- .4 Services necessitated by decisions of the Owner not rendered in a timely manner or any other failure of performance on the part of the Owner or the Owner's consultants or contractors;
- .5 Preparing digital data for transmission to the Owner's consultants and contractors, or to other Owner authorized recipients;
- .6 Preparation of design and documentation for alternate bid or proposal requests proposed by the Owner;
- .7 Preparation for, and attendance at, a public presentation, meeting or hearing;
- .8 Preparation for, and attendance at a dispute resolution proceeding or legal proceeding, except where the Architect is party thereto;
- .9 Evaluation of the qualifications of bidders or persons providing proposals;
- .10 Consultation concerning replacement of Work resulting from fire or other cause during construction; or
- .11 Assistance to the Initial Decision Maker, if other than the Architect.

§ 4.3.2 To avoid delay in the Construction Phase, the Architect shall provide the following Additional Services, notify the Owner with reasonable promptness, and explain the facts and circumstances giving rise to the need. If the Owner subsequently determines that all or parts of those services are not required, the Owner shall give prompt written notice to the Architect, and the Owner shall have no further obligation to compensate the Architect for those services:

- .1 Reviewing a Contractor's submittal out of sequence from the submittal schedule agreed to by the Architect;
- .2 Responding to the Contractor's requests for information that are not prepared in accordance with the Contract Documents or where such information is available to the Contractor from a careful study and comparison of the Contract Documents, field conditions, other Owner-provided information, Contractor-prepared coordination drawings, or prior Project correspondence or documentation;
- .3 Preparing Change Orders and Construction Change Directives that require evaluation of Contractor's proposals and supporting data, or the preparation or revision of Instruments of Service;
- .4 Evaluating an extensive number of Claims as the Initial Decision Maker;
- .5 Evaluating substitutions proposed by the Owner or Contractor and making subsequent revisions to Instruments of Service resulting therefrom; or
- .6 To the extent the Architect's Basic Services are affected, providing Construction Phase Services 60 days after (1) the date of Substantial Completion of the Work or (2) the anticipated date of Substantial Completion identified in Initial Information, whichever is earlier.

§ 4.3.3 The Architect shall provide Construction Phase Services exceeding the limits set forth below as Additional Services. When the limits below are reached, the Architect shall notify the Owner:

- .1 Two (2) reviews of each Shop Drawing, Product Data Item, sample and similar submittal of the Contractor

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- 2 Two (2) inspections for any portion of the Work to determine whether such portion of the Work is substantially complete in accordance with the requirements of the Contract Documents
- 3 Two (2) inspections for any portion of the Work to determine final completion
- 4 The Architect shall visit the site at intervals including weekly construction meetings appropriate to the stage of construction.

§ 4.3.4 If the services covered by this Agreement have not been completed within Thirty-six (36) months of the date of this Agreement, through no fault of the Architect, extension of the Architect's services beyond that time shall be compensated as Additional Services.

ARTICLE 5 OWNER'S RESPONSIBILITIES

§ 5.1 Unless otherwise provided for under this Agreement, the Owner shall provide information in a timely manner regarding requirements for and limitations on the Project, including a written program which shall set forth the Owner's objectives, schedule, constraints and criteria, including space requirements and relationships, flexibility, expandability, special equipment, systems and site requirements. Within 15 days after receipt of a written request from the Architect, the Owner shall furnish the requested information as necessary and relevant for the Architect to evaluate, give notice of or enforce lien rights.

§ 5.2 The Owner shall establish and periodically update the Owner's budget for the Project, including (1) the budget for the Cost of the Work as defined in Section 6.1; (2) the Owner's other costs; and, (3) reasonable contingencies related to all of these costs. If the Owner significantly increases or decreases the Owner's budget for the Cost of the Work, the Owner shall notify the Architect. The Owner and the Architect shall thereafter agree to a corresponding change in the Project's scope and quality.

§ 5.3 The Owner shall identify a representative authorized to act on the Owner's behalf with respect to the Project. The Owner shall render decisions and approve the Architect's submittals in a timely manner in order to avoid unreasonable delay in the orderly and sequential progress of the Architect's services.

§ 5.4 The Owner shall furnish surveys to describe physical characteristics, legal limitations and utility locations for the site of the Project, and a written legal description of the site. The surveys and legal information shall include, as applicable, grades and lines of streets, alleys, pavements and adjoining property and structures; designated wetlands; adjacent drainage; rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions and necessary data with respect to existing buildings, other improvements and trees; and information concerning available utility services and lines, both public and private, above and below grade, including inverts and depths. All the information on the survey shall be referenced to a Project benchmark.

§ 5.5 The Owner shall furnish services of geotechnical engineers, which may include but are not limited to test borings, test pits, determinations of soil bearing values, percolation tests, evaluations of hazardous materials, seismic evaluation, ground corrosion tests and resistivity tests, including necessary operations for anticipating subsoil conditions, with written reports and appropriate recommendations.

§ 5.6 The Owner shall coordinate the services of its own consultants with those services provided by the Architect. Upon the Architect's request, the Owner shall furnish copies of the scope of services in the contracts between the Owner and the Owner's consultants. The Owner shall furnish the services of consultants other than those designated in this Agreement, or authorize the Architect to furnish them as an Additional Service, when the Architect requests such services and demonstrates that they are reasonably required by the scope of the Project. The Owner shall require that its consultants maintain professional liability insurance as appropriate to the services provided.

§ 5.7 The Owner shall furnish tests, inspections and reports required by law or the Contract Documents, such as structural, mechanical, and chemical tests, tests for air and water pollution, and tests for hazardous materials.

§ 5.8 The Owner shall furnish all legal, insurance and accounting services, including auditing services, that may be reasonably necessary at any time for the Project to meet the Owner's needs and interests.

§ 5.9 The Owner shall provide prompt written notice to the Architect if the Owner becomes aware of any fault or defect in the Project, including errors, omissions or inconsistencies in the Architect's Instruments of Service.

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§ 5.10 Except as otherwise provided in this Agreement, or when direct communications have been specially authorized, the Owner shall endeavor to communicate with the Contractor and the Architect's consultants through the Architect about matters arising out of or relating to the Contract Documents. The Owner shall promptly notify the Architect of any direct communications that may affect the Architect's services.

§ 5.11 Before executing the Contract for Construction, the Owner shall coordinate the Architect's duties and responsibilities set forth in the Contract for Construction with the Architect's services set forth in this Agreement. The Owner shall provide the Architect a copy of the executed agreement between the Owner and Contractor, including the General Conditions of the Contract for Construction.

§ 5.12 The Owner shall provide the Architect access to the Project site prior to commencement of the Work and shall obligate the Contractor to provide the Architect access to the Work wherever it is in preparation or progress.

ARTICLE 6 COST OF THE WORK

§ 6.1 For purposes of this Agreement, the Cost of the Work shall be the total cost to the Owner to construct all elements of the Project designed or specified by the Architect and shall include contractors' general conditions costs, overhead and profit. The Cost of the Work does not include the compensation of the Architect, the costs of the land, rights-of-way, financing, contingencies for changes in the Work or other costs that are the responsibility of the Owner.

§ 6.2 The Owner's budget for the Cost of the Work is provided in Initial Information, and may be adjusted throughout the Project as required under Sections 5.2, 6.4 and 6.5. Evaluations of the Owner's budget for the Cost of the Work, the preliminary estimate of the Cost of the Work and updated estimates of the Cost of the Work prepared by the Architect, represent the Architect's judgment as a design professional. It is recognized, however, that neither the Architect nor the Owner has control over the cost of labor, materials or equipment; the Contractor's methods of determining bid prices; or competitive bidding, market or negotiating conditions. Accordingly, the Architect cannot and does not warrant or represent that bids or negotiated prices will not vary from the Owner's budget for the Cost of the Work or from any estimate of the Cost of the Work or evaluation prepared or agreed to by the Architect.

§ 6.3 In preparing estimates of the Cost of Work, the Architect shall be permitted to include contingencies for design, bidding and price escalation; to determine what materials, equipment, component systems and types of construction are to be included in the Contract Documents; to make reasonable adjustments in the program and scope of the Project; and to include in the Contract Documents alternate bids as may be necessary to adjust the estimated Cost of the Work to meet the Owner's budget for the Cost of the Work. The Architect's estimate of the Cost of the Work shall be based on current area, volume or similar conceptual estimating techniques. If the Owner requests detailed cost estimating services, the Architect shall provide such services as an Additional Service under Article 4.

§ 6.4 If the Bidding or Negotiation Phase has not commenced within 90 days after the Architect submits the Construction Documents to the Owner, through no fault of the Architect, the Owner's budget for the Cost of the Work shall be adjusted to reflect changes in the general level of prices in the applicable construction market.

§ 6.5 If at any time the Architect's estimate of the Cost of the Work exceeds the Owner's budget for the Cost of the Work, the Architect shall make appropriate recommendations to the Owner to adjust the Project's size, quality or budget for the Cost of the Work, and the Owner shall cooperate with the Architect in making such adjustments.

§ 6.6 If the Owner's budget for the Cost of the Work at the conclusion of the Construction Documents Phase Services is exceeded by the lowest bona fide bid or negotiated proposal, the Owner shall

- .1 give written approval of an increase in the budget for the Cost of the Work;
- .2 authorize rebidding or renegotiating of the Project within a reasonable time;
- .3 terminate in accordance with Section 9.5;
- .4 in consultation with the Architect, revise the Project program, scope, or quality as required to reduce the Cost of the Work; or
- .5 implement any other mutually acceptable alternative.

§ 6.7 If the Owner chooses to proceed under Section 6.6.4, the Architect, without additional compensation, shall modify the Construction Documents as necessary to comply with the Owner's budget for the Cost of the Work at the

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conclusion of the Construction Documents Phase Services, or the budget as adjusted under Section 6.6.1. The Architect's modification of the Construction Documents shall be the limit of the Architect's responsibility under this Article 6.

ARTICLE 7 COPYRIGHTS AND LICENSES

§ 7.1 The Architect and the Owner warrant that in transmitting Instruments of Service, or any other information, the transmitting party is the copyright owner of such information or has permission from the copyright owner to transmit such information for its use on the Project. If the Owner and Architect intend to transmit Instruments of Service or any other information or documentation in digital form, they shall endeavor to establish necessary protocols governing such transmissions.

§ 7.2 The Architect and the Architect's consultants shall be deemed the authors and owners of their respective Instruments of Service, including the Drawings and Specifications, and shall retain all common law, statutory and other reserved rights, including copyrights. Submission or distribution of Instruments of Service to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the reserved rights of the Architect and the Architect's consultants.

§ 7.3 Upon execution of this Agreement, the Architect grants to the Owner a nonexclusive license to use the Architect's Instruments of Service solely and exclusively for purposes of constructing, using, maintaining, altering and adding to the Project, provided that the Owner substantially performs its obligations, including prompt payment of all sums when due, under this Agreement once the Client has paid the Architect in full for services rendered. The Architect shall obtain similar nonexclusive licenses from the Architect's consultants consistent with this Agreement. The license granted under this section permits the Owner to authorize the Contractor, Subcontractors, Sub-subcontractors, and material or equipment suppliers, as well as the Owner's consultants and separate contractors, to reproduce applicable portions of the Instruments of Service solely and exclusively for use in performing services or construction for the Project. If the Architect rightfully terminates this Agreement for cause as provided in Section 9.4, the license granted in this Section 7.3 shall terminate.

§ 7.3.1 In the event the Owner uses the Instruments of Service without retaining the author of the Instruments of Service, the Owner releases the Architect and Architect's consultant(s) from all claims and causes of action arising from such uses. The Owner, to the extent permitted by law, further agrees to indemnify and hold harmless the Architect and its consultants from all costs and expenses, including the cost of defense, related to claims and causes of action asserted by any third person or entity to the extent such costs and expenses arise from the Owner's use of the Instruments of Service under this Section 7.3.1. The terms of this Section 7.3.1 shall not apply if the Owner rightfully terminates this Agreement for cause under Section 9.4.

§ 7.4 Except for the licenses granted in this Article 7, no other license or right shall be deemed granted or implied under this Agreement. The Owner shall not assign, delegate, sublicense, pledge or otherwise transfer any license granted herein to another party without the prior written agreement of the Architect. Any unauthorized use of the Instruments of Service shall be at the Owner's sole risk and without liability to the Architect and the Architect's consultants. As per lender's requirements, Architect will assign license to plans & specs for the lenders to review.

ARTICLE 8 CLAIMS AND DISPUTES

§ 8.1 GENERAL

§ 8.1.1 The Owner and Architect shall commence all claims and causes of action, whether in contract, tort, or otherwise, against the other arising out of or related to this Agreement in accordance with the requirements of the method of binding dispute resolution selected in this Agreement within the period specified by applicable law, but in any case not more than 10 years after the date of Substantial Completion of the Work. The Owner and Architect waive all claims and causes of action not commenced in accordance with this Section 8.1.1.

§ 8.1.2 Intentionally Omitted.

§ 8.1.3 The Architect and Owner waive consequential damages for claims, disputes or other matters in question arising out of or relating to this Agreement. This mutual waiver is applicable, without limitation, to all consequential damages due to either party's termination of this Agreement, except as specifically provided in Section 9.7.

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§ 8.2 MEDIATION

§ 8.2.1 Intentionally Omitted.

§ 8.2.2 Intentionally Omitted.

§ 8.2.3 Intentionally Omitted.

§ 8.2.4 If the parties do not resolve a dispute through mediation, the method of binding dispute resolution shall be the following:

(Check the appropriate box. If the Owner and Architect do not select a method of binding dispute resolution below, or do not subsequently agree in writing to a binding dispute resolution method other than litigation, the dispute will be resolved in a court of competent jurisdiction.)

☒ **[X]** Arbitration pursuant to Section 8.3 of this Agreement

☐ **[]** Litigation in a court of competent jurisdiction

☐ **[]** Other (Specify)

§ 8.3 ARBITRATION

§ 8.3.1 If the parties have selected arbitration as the method for binding dispute resolution in this Agreement, any claim, dispute or other matter in question arising out of or related to this Agreement subject to, but not resolved by, mediation shall be subject to arbitration which, unless the parties mutually agree otherwise, shall be administered by the American Arbitration Association in accordance with its Construction Industry Arbitration Rules in effect on the date of this Agreement. A demand for arbitration shall be made in writing, delivered to the other party to this Agreement, and filed with the person or entity administering the arbitration.

§ 8.3.1.1 A demand for arbitration shall be made no earlier than concurrently with the filing of a request for mediation, but in no event shall it be made after the date when the institution of legal or equitable proceedings based on the claim, dispute or other matter in question would be barred by the applicable statute of limitations. For statute of limitations purposes, receipt of a written demand for arbitration by the person or entity administering the arbitration shall constitute the institution of legal or equitable proceedings based on the claim, dispute or other matter in question.

§ 8.3.2 The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by parties to this Agreement shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof.

§ 8.3.3 The award rendered by the arbitrator(s) shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

§ 8.3.4 CONSOLIDATION OR JOINDER

§ 8.3.4.1 Either party, at its sole discretion, may consolidate an arbitration conducted under this Agreement with any other arbitration to which it is a party provided that (1) the arbitration agreement governing the other arbitration permits consolidation; (2) the arbitrations to be consolidated substantially involve common questions of law or fact; and (3) the arbitrations employ materially similar procedural rules and methods for selecting arbitrator(s).

§ 8.3.4.2 Either party, at its sole discretion, may include by joinder persons or entities substantially involved in a common question of law or fact whose presence is required if complete relief is to be accorded in arbitration, provided that the party sought to be joined consents in writing to such joinder. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent.

§ 8.3.4.3 The Owner and Architect grant to any person or entity made a party to an arbitration conducted under this Section 8.3, whether by joinder or consolidation, the same rights of joinder and consolidation as the Owner and Architect under this Agreement.

ARTICLE 9 TERMINATION OR SUSPENSION

§ 9.1 If the Owner fails to make payments to the Architect in accordance with this Agreement, such failure shall be considered substantial nonperformance and cause for termination or, at the Architect's option, cause for suspension of performance of services under this Agreement. If the Architect elects to suspend services, the Architect shall give seven days' written notice to the Owner before suspending services. In the event of a suspension of services, the Architect shall have no liability to the Owner for delay or damage caused the Owner because of such suspension of services. Before resuming services, the Architect shall be paid all sums due prior to suspension and any expenses incurred in the interruption and resumption of the Architect's services. The Architect's fees for the remaining services and the time schedules shall be equitably adjusted.

§ 9.2 If the Owner suspends the Project, the Architect shall be compensated for services performed prior to notice of such suspension. When the Project is resumed, the Architect shall be compensated for expenses incurred in the interruption and resumption of the Architect's services. The Architect's fees for the remaining services and the time schedules shall be equitably adjusted.

§ 9.3 If the Owner suspends the Project for more than 90 cumulative days for reasons other than the fault of the Architect, the Architect may terminate this Agreement by giving not less than seven days' written notice.

§ 9.4 Either party may terminate this Agreement upon not less than seven days' written notice should the other party fail substantially to perform in accordance with the terms of this Agreement through no fault of the party initiating the termination.

§ 9.5 The Owner may terminate this Agreement upon not less than seven days' written notice to the Architect for the Owner's convenience and without cause.

§ 9.6 In the event of termination not the fault of the Architect, the Architect shall be compensated for services performed prior to termination.

§ 9.7 Intentionally Omitted.

§ 9.8 The Owner's rights to use the Architect's Instruments of Service in the event of a termination of this Agreement are set forth in Article 7 and Section 11.9.

ARTICLE 10 MISCELLANEOUS PROVISIONS

§ 10.1 This Agreement shall be governed by the law of the place where the Project is located, except that if the parties have selected arbitration as the method of binding dispute resolution, the Federal Arbitration Act shall govern Section 8.3.

§ 10.2 Terms in this Agreement shall have the same meaning as those in AIA Document A201-2007, General Conditions of the Contract for Construction.

§ 10.3 The Owner and Architect, respectively, bind themselves, their agents, successors, assigns and legal representatives to this Agreement. Neither the Owner nor the Architect shall assign this Agreement without the written consent of the other, except that the Owner may assign this Agreement to a lender providing financing for the Project if the lender agrees to assume the Owner's rights and obligations under this Agreement.

§ 10.4 If the Owner requests the Architect to execute certificates, the proposed language of such certificates shall be submitted to the Architect for review at least 14 days prior to the requested dates of execution. If the Owner requests the Architect to execute consents reasonably required to facilitate assignment to a lender, the Architect shall execute all such consents that are consistent with this Agreement, provided the proposed consent is submitted to the Architect for review at least 14 days prior to execution. The Architect shall not be required to execute certificates or consents that would require knowledge, services or responsibilities beyond the scope of this Agreement.

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§ 10.5 Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either the Owner or Architect.

§ 10.6 Unless otherwise required in this Agreement, the Architect shall have no responsibility for the discovery, presence, handling, removal or disposal of, or exposure of persons to, hazardous materials or toxic substances in any form at the Project site.

§ 10.7 The Architect shall have the right to include photographic or artistic representations of the design of the Project among the Architect's promotional and professional materials. The Architect shall be given reasonable access to the completed Project to make such representations. However, the Architect's materials shall not include the Owner's confidential or proprietary information if the Owner has previously advised the Architect in writing of the specific information considered by the Owner to be confidential or proprietary. The Owner shall provide professional credit for the Architect in the Owner's promotional materials for the Project.

§ 10.8 If the Architect or Owner receives information specifically designated by the other party as "confidential" or "business proprietary," the receiving party shall keep such information strictly confidential and shall not disclose it to any other person except to (1) its employees, (2) those who need to know the content of such information in order to perform services or construction solely and exclusively for the Project, or (3) its consultants and contractors whose contracts include similar restrictions on the use of confidential information.

ARTICLE 11 COMPENSATION

§ 11.1 For the Architect's Basic Services described under Article 3, the Owner shall compensate the Architect as follows:

(Insert amount of, or basis for, compensation.)

\$750,000.00

§ 11.2 For Additional Services designated in Section 4.1, the Owner shall compensate the Architect as follows:

(Insert amount of, or basis for, compensation. If necessary, list specific services to which particular methods of compensation apply.)

§ 11.2.1 Owner will compensate the architect for LEED certification at an amount to be determined.

§ 11.2.2 Architect will provide Historic Preservation services as part of basic services for no additional charge.

§ 11.3 For Additional Services that may arise during the course of the Project, including those under Section 4.3, the Owner shall compensate the Architect as follows:

(Insert amount of, or basis for, compensation.)

Employee or Category	Rate
Principals	\$225
Sr. Architects	\$200
Project Managers	\$175
Job Captains	\$150
Architectural Staff	\$100

§ 11.4 Compensation for Additional Services of the Architect's consultants when not included in Section 11.2 or 11.3, shall be the amount invoiced to the Architect plus Ten percent (10.00 %), or as otherwise stated below:

§ 11.5 Where compensation for Basic Services is based on a stipulated sum or percentage of the Cost of the Work, the compensation for each phase of services shall be as follows:

Conceptual Design Phase	\$250,000.00
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Schematic Design Phase	\$100,000.00
Design Development Phase	\$100,000.00
Construction Documents Phase	\$200,000.00
Construction Phase	\$100,000.00
Total Basic Compensation	\$750,000.00

§ 11.6 When compensation is based on a percentage of the Cost of the Work and any portions of the Project are deleted or otherwise not constructed, compensation for those portions of the Project shall be payable to the extent services are performed on those portions, in accordance with the schedule set forth in Section 11.5 based on (1) the lowest bona fide bid or negotiated proposal, or (2) if no such bid or proposal is received, the most recent estimate of the Cost of the Work for such portions of the Project. The Architect shall be entitled to compensation in accordance with this Agreement for all services performed whether or not the Construction Phase is commenced.

§ 11.7 The hourly billing rates for services of the Architect and the Architect's consultants, if any, are set forth below. The rates shall be adjusted in accordance with the Architect's and Architect's consultants' normal review practices.
(If applicable, attach an exhibit of hourly billing rates or insert them below.)

Employee or Category	Rate
Principals	\$225
Sr. Architects	\$200
Project Managers	\$175
Job Captains	\$150
Architectural Staff	\$100

§ 11.8 COMPENSATION FOR REIMBURSABLE EXPENSES

§ 11.8.1 Reimbursable Expenses are in addition to compensation for Basic and Additional Services and include expenses incurred by the Architect and the Architect's consultants directly related to the Project, as follows:

- .1 Transportation and authorized out-of-town travel and subsistence;
- .2 Fees paid for securing approval of authorities having jurisdiction over the Project;
- .3 Printing, reproductions, plots, standard form documents;
- .4 Postage, handling and delivery;
- .5 Expense of overtime work requiring higher than regular rates, if authorized in advance by the Owner;
- .6 Renderings, models, mock-ups, professional photography, and presentation materials requested by the Owner;

(Paragraphs deleted)

- .7 Other similar Project-related expenditures.

§ 11.8.2 For Reimbursable Expenses the compensation shall be the expenses incurred by the Architect and the Architect's consultants plus One and one-tenth percent (1.10 %) of the expenses incurred.

§ 11.9 COMPENSATION FOR USE OF ARCHITECT'S INSTRUMENTS OF SERVICE

If the Owner terminates the Architect for its convenience under Section 9.5, or the Architect terminates this Agreement under Section 9.3, the Owner shall pay a licensing fee as compensation for the Owner's continued use of the Architect's Instruments of Service solely for purposes of completing, using and maintaining the Project as follows:

N/A

§ 11.10 PAYMENTS TO THE ARCHITECT

§ 11.10.1 An initial payment of Two Hundred Fifty Thousand Dollars and Zero Cents (\$ 250,000.00) has been made under this Agreement. This payment covered the cost associated with multiple design schemes and concepts for the New Pershing Hotel project.

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§ 11.10.2 Unless otherwise agreed, payments for services shall be made monthly in proportion to services performed. Payments are due and payable upon presentation of the Architect's invoice. Amounts unpaid Sixty (60) days after the invoice date shall bear interest at the rate entered below, or in the absence thereof at the legal rate prevailing from time to time at the principal place of business of the Architect.
(Insert rate of monthly or annual interest agreed upon.)

10.00 % per annum

§ 11.10.3 The Owner shall not withhold amounts from the Architect's compensation to impose a penalty or liquidated damages on the Architect, or to offset sums requested by or paid to contractors for the cost of changes in the Work unless the Architect agrees or has been found liable for the amounts in a binding dispute resolution proceeding.

§ 11.10.4 Records of Reimbursable Expenses, expenses pertaining to Additional Services, and services performed on the basis of hourly rates shall be available to the Owner at mutually convenient times.

ARTICLE 12 SPECIAL TERMS AND CONDITIONS

Special terms and conditions that modify this Agreement are as follows:

Contract – The following Contract Provisions along with the Client/Architect agreement constitutes the full and complete Agreement between the parties. Changes, amendments, add to, superseded, or waived only can only occur if both parties specifically agree in writing to such amendments. In the event of any inconsistency between these Contract Provisions and any proposal, contract, purchase order, requisition, notice to proceed, or like document, these Contract Provisions shall govern.

Standard of Care – Architect and its employees, subsidiaries, independent professional associates, sub-consultants, and subcontractors will exercise the degree of care and skill ordinarily practiced under similar circumstances by design professionals providing similar services. Client agrees that services provided will be rendered without any warranty, express or implied. Architect shall exercise usual and customary professional care in its efforts to comply with applicable codes, regulations, laws rules, ordinances, and such other requirements in effect as of the date of execution of this Agreement.

Liability – To the fullest extent permitted by law, the total liability, in the aggregate, of Architect and Architect's officers, directors, employees, agents, and consultants to Client and anyone claiming by, through or under Client, for any and all injuries, claims, losses, expenses, or damages whatsoever arising out of or in any way related to Architect's services, the Project or this Agreement, from any cause or causes whatsoever, including but not limited to, negligence, strict liability, breach of contract or breach of warranty shall not exceed the amount of available professional liability insurance carried by the Architect.

Indemnity – To the full extent permitted by law, the Architect agrees to indemnify and hold the Client harmless from and against any liabilities, damages and costs (including reasonable attorney's fees) to the extent caused by the negligence of the Architect in performance of services under this Agreement. In no event shall the indemnification obligation extend beyond the date when the institution of legal or equitable proceedings for professional negligence would be barred by any applicable statute of repose or statute of limitations.

The parties expressly agree in no event shall the indemnification obligation of the Architect include a duty to defend any claims, causes of action, demands, costs or lawsuits in connection with or arising out of this Project if damages were NOT caused by the negligence of the Architect in performance of services under this Agreement.

Instruments of Service – Client may use the Architects reports, notes, drawings, specifications, data, calculations, and other documents, including those in electronic form, prepared by Architect defined collectively as Instruments of Service for the purpose of the construction and maintenance of the project under this agreement once the Client has paid the Architect in full for services rendered.

The Architect's Instruments of Service shall remain the Architect's property. The Client agrees not to use Architect-generated documents for projects other than the project for which the documents were prepared by Architect, or for

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future modifications to this project, without Architect's express written permission. Any misuse, reuse or distribution to third parties without such express written permission or project-specific adaptation by Architect will be at the Client's sole risk and without liability to Architect or its employees, subsidiaries, independent professional associates, subconsultants, and subcontractors. Client shall, to the fullest extent permitted by law, defend, indemnify, and hold harmless Architect from and against any and all costs, expenses, fees, losses, claims, demands, liabilities, suits, actions, and damages whatsoever arising out of or resulting from such unauthorized reuse or distribution.

Reliance -- Architect shall be entitled to rely, without liability, on the accuracy and completeness of any and all information and services provided by Client, Client's consultants and contractors, and information from public records, without the need for independent verification.

Consequential Damages - Neither the Client nor the Architect shall be liable to the other or shall make any claim for any incidental, indirect or consequential damages arising out of, or connected in any way to the Project or this Agreement. This mutual waiver includes, but is not limited to, damages related to loss of use, loss of profits, loss of income, loss of reputation, unrealized savings or diminution of property value and shall apply to any cause of action including negligence, strict liability, breach of contract and breach of warranty.

Changes or Delays -- Proposed fees constitute Architect's estimate to perform the services required to complete the Project. Required services often are not fully definable in the initial planning; accordingly, developments may dictate a change in the scope of services to be performed. Where this occurs, changes in the Agreement shall be negotiated and an equitable adjustment shall be made. Costs and schedule commitments shall be subject to renegotiation for unreasonable delays caused by the Client's failure to provide specified facilities, direction, or information, or if Architect's failure to perform is due to any act of God, labor trouble, fire, inclement weather, act of governmental authority, failure of transportation, accident, power failure, or interruption or any other cause beyond the reasonable control of Architect. Temporary work stoppage caused by any of the above may result in additional cost beyond that outlined in the fee structure.

Suspension of Work -- The Client may, at any time, with a fourteen (14) day written notice, suspend further work by Architect. The Client shall remain liable for, and shall promptly pay Architect for all services rendered to the date of suspension of services, plus suspension charges, which shall include the cost of assembling documents, personnel and equipment, rescheduling or reassignment, and commitments made to others on Client's behalf.

Cost Estimates -- When required as part of work, Architect will furnish opinions of probable cost, however does not guarantee the accuracy of such estimates and shall be held harmless and not liable for any inaccuracies. Opinions of probable cost, financial evaluations, feasibility studies, economic analyses of alternate solutions, and utilitarian considerations of operations and maintenance costs prepared by Architect hereunder will be made on the basis of Architect's experience and qualifications and will represent Architect's judgment as an experienced and qualified design professional. However, users of the probable cost opinions must recognize that Architect does not have control over the cost of labor, material, equipment, or services furnished by others or over market conditions or contractors' methods of determining prices or performing the work.

Mediation: The Client and Architect agree to submit all claims and disputes arising out of this Agreement to non-binding mediation prior to the initiation of legal proceedings. This provision shall survive completion or termination of this Agreement; however, neither party shall seek mediation of any claim or dispute arising out of this Agreement beyond the period of time that would bar the initiation of legal proceedings to litigate such claim or dispute under the applicable law.

Warranty and Guarantees -- Client agrees that services provided by the Architect will be rendered without any warranty, and/or guarantees, expressed or implied including the performance of the Contractor of the construction contract and the Contractor's ability to furnish and perform its work in accordance with the Contract Documents. Architect shall not be required to sign any documents, no matter by whom requested, that would result in Architect's having to certify, guaranty, or warrant the existence of conditions that Architect cannot ascertain.

Third Party - Nothing contained in this Agreement shall create a contractual relationship with, or a cause of action in favor of, a third party against either the Client or Architect. Architect's services hereunder are being performed solely for the benefit of the Client, and no other entity shall have any claim against Architect because of this Agreement or Architect's performance of services hereunder.

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Unenforceable - In the event any of these Contract Provisions are found to be illegal or otherwise unenforceable, the unenforceable Contract Provision will be stricken. Striking such a Contract Provision shall have no effect on the enforceability of the remaining Contract Provisions and those remaining Contract Provisions shall continue in full force and effect as if the unenforceable Contract Provision were never included in the Agreement.

§ 12.1 The owner shall provide cost estimating services with a general contractor.

ARTICLE 13 SCOPE OF THE AGREEMENT

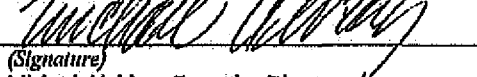
§ 13.1 This Agreement represents the entire and integrated agreement between the Owner and the Architect and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both Owner and Architect.

§ 13.2 This Agreement is comprised of the following documents listed below:

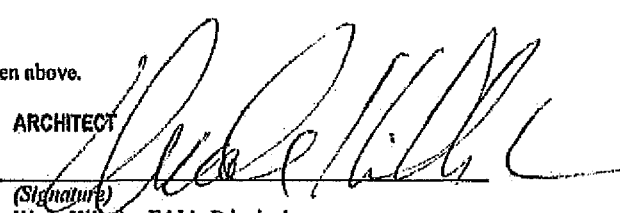
- .1 AIA Document B101™-2007, Standard Form Agreement Between Owner and Architect
- .2 AIA Document E201™-2007, Digital Data Protocol Exhibit, if completed, or the following:
- .3 Other documents:
(List other documents, if any, including Exhibit A, Initial Information, and additional scopes of service, if any, forming part of the Agreement.)

This Agreement entered into as of the day and year first written above.

OWNER


(Signature)
Michael Alvidrez, Executive Director
(Printed name and title)

ARCHITECT


(Signature)
Wade Kilgler, FAIA, Principal
(Printed name and title)

Init.

Additions and Deletions Report for AIA® Document B101™ – 2007

This Additions and Deletions Report, as defined on page 1 of the associated document, reproduces below all text the author has added to the standard form AIA document in order to complete it, as well as any text the author may have added to or deleted from the original AIA text. Added text is shown underlined. Deleted text is indicated with a horizontal line through the original AIA text.

Note: This Additions and Deletions Report is provided for information purposes only and is not incorporated into or constitute any part of the associated AIA document. This Additions and Deletions Report and its associated document were generated simultaneously by AIA software at 08:17:32 on 02/24/2012.

PAGE 1

AGREEMENT made as of the Twentieth day of January in the year Two Thousand Twelve

...

Skid Row Housing Trust
1317 E. Seventh Street Los Angeles, CA 90021

...

Killefer Flammang Architects
1625 Olympic Boulevard
Santa Monica, CA 90404
Telephone Number: 310-399-7975
Fax Number: 310-399-8545

...

New Pershing Apartments
500-510 South Main Street Los Angeles, CA 90013

Demolition of an existing 69 unit hotel and new construction of 67 efficiency units and 2 one-bedroom units with community spaces and street front retail.

PAGE 2

Demolition of an existing 69 unit hotel and new construction of 67 efficiency Units and 2 one-bedroom units with community spaces and street front retail.

...

December 01, 2012

...

December 31, 2013

PAGE 3

\$1,000,000.00

...

\$1,000,000.00

...

\$1,000,000.00

...

\$2,000,000.00

PAGE 4

§ 3.2.2 The Architect shall prepare a preliminary evaluation of the Owner's program, schedule, budget for the Cost of the Work, Project site, and the proposed procurement or delivery method and other Initial Information, each in terms of the other, to ascertain the requirements of the Project. The Architect shall notify the Owner of (1) any inconsistencies discovered in the information, and (2) other information or consulting services that may be reasonably needed for the Project.

...

§ 3.2.7 The Architect shall submit the Schematic Design Documents to the Owner, hold meeting with Owner's staff for design comments and request the Owner's approval.

...

§ 3.3.1 Based on the Owner's approval of the Schematic Design Documents, and on the Owner's authorization of any adjustments in the Project requirements and the budget for the Cost of the Work, requirements, the Architect shall prepare Design Development Documents for the Owner's approval. The Design Development Documents shall illustrate and describe the development of the approved Schematic Design Documents and shall consist of drawings and other documents including plans, sections, elevations, typical construction details, and diagrammatic layouts of building systems to fix and describe the size and character of the Project as to architectural, structural, mechanical and electrical systems, and such other elements as may be appropriate. The Design Development Documents shall also include outline specifications that identify major materials and systems and establish in general their quality levels.

PAGE 5

§ 3.3.3 The Architect shall submit the Design Development Documents to the Owner, advise the Owner of any adjustments to the estimate of the Cost of the Work, hold meeting with Owner's Staff for design comments and request the Owner's approval.

...

§ 3.4.1 Based on the Owner's approval of the Design Development Documents, and on the Owner's authorization of any adjustments in the Project requirements and the budget for the Cost of the Work, requirements, the Architect shall prepare Construction Documents for the Owner's approval. The Construction Documents shall illustrate and describe the further development of the approved Design Development Documents and shall consist of Drawings and Specifications setting forth in detail the quality levels of materials and systems and other requirements for the construction of the Work. The Owner and Architect acknowledge that in order to construct the Work the Contractor will provide additional information, including Shop Drawings, Product Data, Samples and other similar submittals, which the Architect shall review in accordance with Section 3.6.4.

...

EXHIBIT B
ASSIGNMENT OF ARCHITECT'S CONTRACT
AND PLANS AND SPECIFICATIONS AND PERMITS
(With Architect's Consent and Certificate)
(NEW PERSHING APARTMENTS PROJECT)

CONSENT AND CERTIFICATE

Pursuant to that certain assignment of Architect's Contract and Plans and Specifications and Permits (the "Assignment") executed by New Pershing Apartments, L.P., a California limited partnership ("Borrower") on APRIL 2, 2013, the undersigned, as Architect, hereby consents to the assignment by Borrower of the Plans (all defined terms herein shall have the meaning defined in the Assignment), the Permits and the Contract to the City of Los Angeles, a municipal corporation and charter city ("the City"), and to each and all of the terms and conditions of such attached assignment and confirms to the City that (a) the Contract constitutes the entire agreement between the undersigned and Borrower relating to the Project, (b) the Contract is in full force and effect with no defaults thereunder, (c) no event has occurred that would constitute a default under the Contract upon the giving of notice or the lapse of time or both, (d) no material modification shall be made in the Contract without the prior written consent of the City, (e) the undersigned agrees to be bound by the provisions of the Loan Agreement restricting the ability of Borrower to make changes in the Plans without the prior written consent of the City, (f) the undersigned is not aware of any prior assignment of the Plans, the Permits or the Contract by Borrower, and (g) a complete copy of the Plans and all Permits will be delivered to the City. The undersigned agrees that in the event of any default by Borrower under the Contract, the undersigned will give written notice to the City thereof and the City shall have the right, but not the obligation, to cure said default within sixty (60) days from the City's receipt of such notice.

The undersigned further agrees that in the event the City becomes the owner of the Project, or undertakes to complete construction thereof, or assigns its rights to the Plans, the Permits and the specifications under the Contract to another person or entity, or otherwise requires the use of the Plans, the Permits and the specifications, the City, its successors and assigns are authorized to use the Plans, the Permits and the specifications without additional cost or expense beyond that stated in the Contract, all rights under the Contract otherwise exercisable by Borrower may be exercised by the City or such successor or assign, and the undersigned will perform its obligations in conformity with the Contract for the benefit of the City, its successors or assigns.

In order to induce the City to enter into the Loan Agreement and make the advances contemplated therein, the undersigned certifies to the City as follows:

- (a) As represented in the Plans, the Development will comply with (1) all statutes, rules, regulations and ordinances of all governmental agencies having jurisdiction over the Project, including, without limitation, those relating to zoning, building, pollution control and energy use; (2) all applicable covenants, conditions and restrictions affecting the Site and the Project, and (3) the requirements of the appropriate board of fire underwriters.
- (b) Construction of the Project in accordance with the Plans will not result in any encroachment on any adjoining property or on any surface easement.
- (c) The Plans will include (1) any recommendations contained in any soil or other geological test performed on the Site, and (2) parking for cars sufficient to meet the requirements of all applicable statutes, rules, regulations, ordinances, tract map conditions and leases.
- (d) The undersigned is duly licensed to conduct its business in the jurisdiction where its services are to be performed and will maintain such license in full force and effect throughout the term of the Contract.

The City shall have the right at any time to use all plans, specifications and drawings from the Project prepared by or for the undersigned for the Project, including, without limitation, the Plans, and the ideas, designs and concepts contained therein, without payment of any additional fees or charges to the undersigned for such use.


The undersigned hereby assigns to the City all of the undersigned's right, title and interest in, to and under all subcontracts which are now or hereafter entered into by the undersigned in furtherance of its obligations under the Contract; provided, however, that until a default occurs by the undersigned under the Contract, the City shall not exercise any rights in the subcontracts which are hereby assigned.

The undersigned acknowledges that the City is relying on, among other things, the Consent, confirmations, agreements and assurances provided herein in entering into the Loan Agreement and agreeing to advance funds thereunder to Borrower for construction of the Project.

DATED: 3.29.13

ARCHITECT:

KILLEFER FLAMMANG ARCHITECTS

By: 
Title V.P.

**EXHIBIT M
LOAN AGREEMENT
(NEW PERSHING APARTMENTS)**

SCHEDULE OF PERFORMANCE

The project timeline is as follows:

	<u>Date</u>
1 LAHD Letter of Commitment	3/12
2 Leverage Funding Source Award	10/12
3 Submit Copies of Relocation Notices (if applicable)	1/13
4 Submit Plans & Specifications to LAHD	2/13
5 Building Plan Check Submittal	9/12
6 Submit Construction Package to LAHD	2/13
7 Submit Labor Compliance to LAHD	2/13
8 Construction Contract Bidding	12/12
9 Building Plan Check Approval	1/13
10 Site Acquisition	N/A
11 Close Construction Financing	4/13
12 Notice to Proceed (LAHD)	4/13
13 Commencement of Construction	4/13
14 50% Construction Completion	4/14
15 Submit Occupancy Package to LAHD (90 days prior to C of O)	9/14
16 Completion of Construction (TC of O / C of O)	12/14
17 90% Stabilized Occupancy	3/15
18 Close Permanent Financing	4/15
19 1 st Payment Date to LAHD	4/16

* N/A – not applicable

EXHIBIT N
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

AFFORDABILITY RESTRICTIONS AND MAXIMUM RENTS

A. AFFORDABILITY RESTRICTIONS. The affordability of the Project shall be maintained as follows:

- A. Fourteen (14) efficiency units in the Project shall at all times be occupied or held vacant and available for rental by 60% Income Households (households who do not exceed sixty percent (60%) median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households). Income determination shall be made at the time of initial occupancy of a unit by a tenant.
- B. Fifteen (15) efficiency and three (3) one bedroom units in the Project shall at all times be occupied or held vacant and available for rental by 45% Income Households (households who do not exceed forty five percent (45%) median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households). Income determination shall be made at the time of initial occupancy of a unit by a tenant.
- C. Thirty Five (35) efficiency units in the Project shall at all times be occupied or held vacant and available for rental by 30% Income Households (households who do not exceed thirty percent (30%) median income for the Los Angeles Metropolitan area as determined by HUD with adjustments for smaller and larger households). Income determination shall be made at the time of initial occupancy of a unit by a tenant.
- E. All units are described and limited as set forth in this Exhibit N.

B. MAXIMUM RENTAL CHARGES. The total charges for rent, utilities, and related services to each 60% Income Household shall not exceed thirty percent (30%) of sixty percent (60%) of Area Median Income.

The total charges for rent, utilities, and related services to each 45% Income Household shall not exceed thirty percent (30%) of forty five percent (45%) of Area Median Income. The total charges for rent, utilities, and related services to each 30% Income

Household shall not exceed thirty percent (30%) of thirty percent (30%) of Area Median Income. Initial rents for each Unit shall be as set forth in the Regulatory Agreement. Maximum rent increases shall be calculated by Lender based on the change in permissible rents published by HUD. Borrower shall annually certify each tenant household's gross income and make any rent adjustment pursuant to the terms of the Regulatory Agreement.

EXHIBIT N
LOAN AGREEMENT
AFFORDABILITY RESTRICTIONS AND MAXIMUM RENTS
 New Pershing Apartments
 108 East 5th Street, Los Angeles, CA 90013

INCOME LIMIT SCHEDULE

Family Size	Very Very 30%	40%	Very Low 50%	60%	Income 100%
1	17,400	23,200	29,000	34,800	58,000
2	19,890	26,520	33,150	39,780	66,300
3	22,380	29,840	37,300	44,760	74,600
4	24,840	33,120	41,400	49,680	82,800
5	26,850	35,800	44,750	53,700	89,500
6	28,830	38,440	48,050	57,660	96,100
7	30,810	41,080	51,350	61,620	102,700
8	32,790	43,720	54,650	65,580	109,300

RENT LIMIT SCHEDULE

TCAC/ MHP Rent Limits		
	100%	Utility
Eff	1,450	29
1-bdrm	1,552	39
2-bdrm	1,864	48
3-bdrm	2,152	58
4-bdrm	2,402	70
5-bdrm	2,650	80

RENT SCHEDULE

Unit Type	Percent Median	Monthly Gross Rent	Monthly Utility Allow.	Monthly Net Rent	Total Number of Units	Total # of Bdrms.	HOME-Assisted Units Regulated by LAHD *	Units Regulated by TCAC
Efficiency	30%	\$435	\$0	\$435	35	35	35	35
Efficiency	45%	\$653	\$0	\$653	15	15	18	15
Efficiency	60%	\$870	\$0	\$870	14	14	12	14
One Bdrm	45%	\$698	\$0	\$698	3	3	2	3
Mgr-0 br	N/A	\$0	\$0	\$0	1	1	0	0
Mgr-1 br	N/A	\$0	\$0	\$0	1	1	0	0
TOTAL					69	69	67	67

The income and rent schedules are effective December 4, 2012 .

* Overlaid with CDBG Units when applicable.

The City may revise the Income Limits and Rent Schedule annually as reflected by changes in the area median income for Los Angeles. In the event of a conflicts between requirements of HUD project based rental asisted buildings and the income limits and rents set forth herein the HUD contract limits shall control.

Utility Allowances are published by the Housing Authority of City of Los Angeles (HACLA) including gas space heating, gas cooking, basic electricity, code enforcement and rent stabilization, or as calculated by California Utility Allowance Calculator method approved by the California Tax Allocation Committee.

Number of units regulated by percent of median income

AMI	LAHD	TCAC
30%	35	35
45%	20	20
60%	12	12
Total Units	67	67

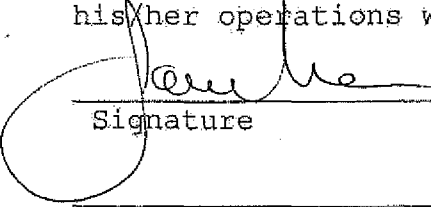
EXHIBIT O
LOAN AGREEMENT
(NEW PERSHING APARTMENTS PROJECT)

SECTION 3 CLAUSE

- A. The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.
- B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
- C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number of job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

- D. The contractor agrees to include the Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.
- E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.
- F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.
- G. With respect to work performed in connection with Section 3 covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (I) preference and opportunities for training and employment subcontracts shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian Organizations and Indian-Owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and Section 7 (b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7 (b).

The Contractor/Subcontractor/Service Provider by this signature affixed hereto declares under penalty of perjury: Contractor/Subcontractor/Service Provider has read City requirements contained within the City Loan Documents and Exhibits and accepts all its requirements contained therein for all of his/her operations within the City of Los Angeles.


Signature

Joeame Apodaca - President
Print Name and Title

Signature

Print Name and Title

Signature

Print Name and Title

Date:

3/20/13

EXHIBIT P

MAYOR'S EXECUTIVE DIRECTIVE 2001-26



LOS ANGELES, CALIFORNIA 90012
213-475-1000

OFFICE OF THE MAYOR

RICHARD J. RIORDAN
MAYOR

EXECUTIVE DIRECTIVE NO. 2001-26

February 8, 2001

**TO: THE HEADS OF ALL DEPARTMENTS, OFFICES
AND COMMISSIONS OF CITY GOVERNMENT**

**SUBJECT: CITY OF LOS ANGELES MINORITY, WOMEN
AND OTHER BUSINESS ENTERPRISE PROGRAM**

Effective immediately, each department (Awarding Authority) which issues invitations for bids or requests for proposals (RFPs) for work to be performed under contracts awarded by the City of Los Angeles shall implement this directive by utilizing the outreach program set forth herein.

It is the policy of the City of Los Angeles to provide Minority Business Enterprises (MBEs)¹, Women Business Enterprises (WBEs) and all Other Business Enterprises (OBEs) an equal opportunity to participate in the performance of all city contracts. This policy applies to all City Departments, Proprietary Departments, and Boards and Commissions, which may, by their authority, award construction, procurement, and personal service contracts.

The Mayor's Office of Economic Development (MOED) shall have the primary responsibility for coordinating and managing city business development and outreach efforts designed to enhance business opportunities for minority, women, and other business enterprises, including small local businesses.

In coordination with the Mayor's Office of Economic Development, the heads of all departments of city government shall be responsible for developing, managing, and implementing the MBE, WBE, and OBE policy and program. Departments are required

¹ For the purposes of this Executive Directive, "minority group member" shall be synonymous with "minority person" as defined in the code of Federal Regulations, 49CFR, Part 26.

to submit a quarterly report covering the activities and their outcomes relating to the efforts undertaken by the respective Departments to implement the minority, women, and other business enterprise program outlined in this Directive.

All Awarding Authorities which issue invitations for bids or RFPs for work to be performed under contracts valued at \$100,000 or more shall require bidders or proposers to conduct the City's "Good Faith Effort," unless otherwise determined by MOED. The aforementioned policy shall be implemented as outlined in the City of Los Angeles Minority, Women and Other Business Enterprise Program.

**CITY OF LOS ANGELES MINORITY, WOMEN AND
OTHER BUSINESS ENTERPRISE PROGRAM**

Departmental Responsibilities

The department heads will assign to the Purchasing Agent, Contract Administrators, Contract Compliance Officers and/or Affirmative Action Officers the responsibility for developing, managing, and implementing the MBE, WBE and OBE policy and program on a day-to-day basis. In order to implement effectively this policy the following program areas will be incorporated within the body of each individual departmental plan:

1. Development of information and communication outreach programs on contracting and bidding procedures, along with the timely dissemination of contract and bid information to both public and private business assistance centers, Chambers of Commerce, Minority and Women Business and Trade Associations.
2. Development of effective vendor databases and directories, which will include but not be limited to, qualified minority, women-owned, and other businesses, business assistance agencies, capital providers, bonding and insurance providers, and certification providers, which will be made available to all buyers, storekeepers with purchasing authority, and all other departmental personnel with authority to solicit bids and enter into negotiated personal service contracts.
3. Development and maintenance of listings of MBEs, WBEs, and OBEs to be made available to all prime contractors, vendors, and suppliers who seek to comply with contract requirements and/or subcontracts and joint venture opportunities. The listing shall include, but not limited to: the name, address, telephone number, ethnicity and gender of owner, and the service, commodity or goods provided, sold or manufactured.
4. Participation in minority trade fairs and other outside activities related to the development of minority, women and other vendors.

5. Provide information to MBE, WBEs and OBEs on projected department contractual needs, conduct pre-bid and post conferences, permit MBEs, WBEs, and OBEs to review and evaluate successful bid documents of similar contracting or procurement opportunities.
6. Evaluate and verify, as necessary, the eligibility of all firms and joint ventures who claim to be minority or women-owned in coordination with the City of Los Angeles' certification entity and/or any other certification entity that has a reciprocal certification agreement with the City of Los Angeles.
7. Develop and implement workshops for buyers, storekeepers, and any departmental personnel with authority to negotiate construction, procurement, and personal service contracts, on how to do business with minority, women-owned and other business enterprises.
8. All bids, RFPs, and construction notices, whenever possible, be published in widely circulated newspapers, trade associations and business publications, including those which focus on minority and women business communities, and through the utilization of radio and any other electronic media.
9. The Small, Local Business Program (10% Preference) shall be utilized to further encourage and strengthen the bidding opportunities for small local businesses.
10. All purchasing authorities and/or department designees, with the authority to negotiate contracts, shall maintain such records, and provide such reports as are necessary to ensure full compliance with this policy.
11. All bids and RFPs will give notice that the City requires a good faith outreach effort by contractors, suppliers, and vendors to subcontract with minority, women and other contractors, suppliers, and vendors in their performance of City contracts.
12. The "Good Faith Effort" requirement shall be applied in all city procurement, personal services and construction contracts valued in excess of \$100,000, unless otherwise determined by MOED. All Awarding Authorities shall notify MOED of the anticipated levels of MBE and WBE participation for each contract.
13. Other government entities may not have Good Faith Effort programs that meet the city's standards for business development or outreach. In the event that the city participates ("piggybacks") onto an existing contract of another government entity or association of government entities, the city shall first evaluate the host contract to determine the extent and effect of

the other entity's outreach and business development requirements. The results of the required evaluation shall be communicated to the Mayor's Office of Economic Development as part of the request for approval of any resulting contract by the Mayor's Office.

Mayor's Office of Economic Development Responsibilities

Departments shall seek assistance from the Mayor's Office of Economic Development to implement the previously stated departmental responsibilities. MOED has the responsibility of providing the respective Departments, covered by this directive, with the following services, including but not limited to:

1. Strategic implementation of City MBE, WBE, OBE and small local business outreach and business development efforts.
2. Technical expertise in the areas of MBE, WBE and OBE outreach program design, development and implementation.
3. Information relating to compliance with Federal and State business outreach regulations.
4. Technical expertise in coordinating outreach efforts with minority, women, and other professional associations, trade groups, business assistance centers and related organizations.
5. Technical expertise in the development of the necessary databases, directories, and reports relating to MBE, WBE and OBE program compliance.
6. The Good Faith Effort requirement does not apply to contracts valued at \$100,000 or less, but that fact shall not prevent MOED from providing to departments, at its discretion, outreach and other services authorized under this directive, with respect to such contracts.
7. Such other assistance as may be necessary in connection with the implementation of this directive by the Departments.

Quarterly Reports

Departments shall submit a Quarterly Report to MOED covering the activities relating to the efforts undertaken by the Departments to implement the MBE, WBE and OBE outreach program. The Report shall include data on construction, procurement and personal services contracts and be due 15 calendar days after the close of each calendar quarter, commencing with the quarter ending March 31, 2001. The Report shall include, but not be limited to:

1. A summary of all contract dollars and number of contracts awarded during the quarter to prime contractors and subcontractors, with a breakdown of awards to MBE, WBE and OBE firms. The data shall be further summarized by ethnic categories as determined by MOED.
2. A list of all contracts awarded or contract amendments awarded during the quarter. Each contract shall list the name of the prime contractor and each subcontractor on the project and include award date, contract term, contract type, award amount, contact person, ethnicity, gender, city, state, zip, telephone and fax number.
3. The number of business and contracting opportunity seminars, conferences, and other related events participated in by the Department.
4. All significant efforts undertaken to implement the various elements of the MBE, WBE and OBE Program outlined in this Directive.
5. Any and all other data or Departmental information relating to business development or business outreach as may be requested by MOED to further program development.

Good Faith Effort Policy and Documentation

Bidders and proposers shall assist the city in implementing this policy by taking all reasonable steps to ensure that all available business enterprises, including MBEs, WBEs, and OBEs have an equal opportunity to compete for and participate in city contracts. As outlined below, the following indicators and point scale will be used to determine the bidder's and proposer's compliance with the Good Faith Effort requirements:

- (1) The bidder's or proposer's efforts to obtain participation by MBEs, WBEs, and OBEs can reasonably be expected by the Awarding Authority to produce a level of participation by interested subcontractors, including _____ percent MBE and _____ percent WBE as established by the Awarding Authority.

0 Points

- (2) The bidder or proposer attended pre-solicitation or pre-bid meetings, if any, scheduled by the Awarding Authority to inform all bidders or proposers of the requirements for the project for which the contract will be awarded. The Awarding Authority may waive this requirement if the bidder or proposer certifies it is informed as to those project requirements.

10 Points

- (3) The bidder or proposer identified and selected specific items of the project for which the contract will be awarded to be performed by subcontractors

to provide an opportunity for participation by MBEs, WBEs, and OBEs. The bidder or proposer shall, when economically feasible, divide total contract requirements into small portions or quantities to permit maximum participation of MBEs, WBEs, and OBEs.

10 Points

- (4) The bidder or proposer advertised for bids or proposals from interested business enterprises no less than 10 calendar days prior to the submission of bids or proposals, in one or more daily or weekly newspapers, trade association publications, minority or trade oriented publications, trade journals, or other media specified by the Awarding Authority.

9 Points

- (5) The bidder or proposer provided written notice of its interest in bidding on the contract to those business enterprises, including MBEs and WBEs, having an interest in participating in such contracts. All notices of interest shall be provided not less than 10 calendar days prior to the date the bids or proposals were required to be submitted. In all instances, the bidder or proposer must document that invitations for subcontracting bids were sent to available MBEs, WBEs, and OBEs for each item of work to be performed. The Mayor's Office of Economic Development shall be available to help identify interested MBEs, WBEs, and OBEs.

15 Points

- (6) The bidder or proposer documented efforts to follow-up initial solicitations of interest by contacting business enterprises to determine with certainty whether the enterprises were interested in performing specific portions of the project not less than three calendar days prior to the date the bids or proposals were required to be submitted.

10 Points

- (7) The bidder or proposer provided interested business enterprises with information about the plans, specifications and requirements for the selected subcontracting work.

5 Points

- (8) The bidder or proposer requested assistance from organizations that provide assistance in the recruitment and placement of MBEs, WBEs, and OBEs not less than 15 calendar days prior to the submission of bids or proposals.

10 Points

- (9) The bidder or proposer negotiated in good faith with interested MBEs, WBEs, and OBEs and did not unjustifiably reject as unsatisfactory bids or proposals prepared by a business enterprise, as determined by the Awarding Authority. As documentation the bidder or proposer must submit a list of all sub-bidders for each item of work solicited, including dollar amounts of potential work for MBEs, WBEs and OBEs.

26 Points

- (10) The bidder or proposer documented efforts to advise and assist interested MBEs, WBEs, and OBEs in obtaining bonds, lines of credit, or insurance required by the Awarding Authority or contractor.

5 Points

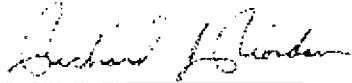
An Awarding Authority's determination of the adequacy of a bidder's or proposer's Good Faith Effort must be based on due consideration of all indicators of good faith as set forth above. Achievement of anticipated levels of participation in indicator (1), above, may only be used as one of the ten indicia of whether a bidder or proposer has met the Good Faith Effort to recruit MBEs, WBEs, and OBEs. If the Awarding Authority has established anticipated levels of participation for MBE and WBE subcontractors, failure to meet those levels shall not by itself be the basis for disqualification of the bidder or proposer.

Each indicator is to be graded on a Pass/Fail basis. Either full credit or no credit will be awarded. No partial credit is to be given. A minimum of 75 of 100 evaluation points are required to establish compliance with the Good Faith Effort requirements. The Good Faith Effort is required even if the bidder has achieved the anticipated MBE and WBE participation levels. The Good Faith Effort also is required even if the bidder is a certified Minority or Woman Business Enterprise.

In the event that an Awarding Authority is considering awarding to other than the lowest bidder, or not awarding a contract to a proposer, because the bidder or proposer is determined to be non-responsive for failure to comply with the Good Faith Effort requirements set forth above, the Awarding Authority shall, if requested, and prior to the award of the contract, afford the bidder or proposer the opportunity to present evidence to the Awarding Authority in a public hearing of the bidder's or proposer's compliance with the Good Faith Efforts in making its outreach. In no case shall an Awarding Authority deny award of a contract to a bidder or proposer pursuant to this program, if the bidder or proposer complies with the Good Faith Effort but fails to meet the anticipated levels of participation.

Nothing herein restricts the discretion of the Awarding Authority to reject all bids or proposals in accordance with provisions of the City Charter or Administrative Code.

The directions set forth herein shall take effect immediately, and all Awarding Authorities, including the city's proprietary departments, shall modify their implementation programs to the extent such programs are inconsistent with this Executive Directive.

A handwritten signature in dark ink, appearing to read "Richard J. Riordan", is written over a horizontal line.

Richard J. Riordan
Mayor

Supersedes Executive Directive 1-B (Bradley Series), dated March 29, 1983, and 1-C (Bradley Series), dated March 6, 1989.

EXHIBIT Q

INSURANCE CONTRACTUAL REQUIREMENTS

CONTACT For additional information about compliance with City Insurance and Bond requirements, contact the Office of the City Administrative Officer, Risk Management at (213) 978-RISK (7475) or go online at www.lacity.org/cao/risk. The City approved Bond Assistance Program is available for those contractors who are unable to obtain the City-required performance bonds. A City approved insurance program may be available as a low cost alternative for contractors who are unable to obtain City-required insurance.

CONTRACTUAL REQUIREMENTS

BORROWER AGREES THAT:

1. Additional Insured/Loss Payee. The CITY must be included as an Additional Insured in applicable liability policies to cover the CITY'S liability arising out of the acts or omissions of the named insured. The CITY is to be named as an Additional Named Insured and a Loss Payee As Its Interests May Appear in property insurance in which the CITY has an interest, e.g., as a lien holder.

2. Notice of Cancellation. All required insurance will be maintained in full force for the duration of its business with the CITY. By ordinance, all required insurance must provide at least thirty (30) days' prior written notice (ten (10) days for non-payment of premium) directly to the CITY if your insurance company elects to cancel or materially reduce coverage or limits prior to the policy expiration date, for any reason except impairment of an aggregate limit due to prior claims.

3. Primary Coverage. BORROWER will provide coverage that is primary with respect to any insurance or self-insurance of the CITY. The CITY'S program shall be excess of this insurance and non-contributing.

4. Modification of Coverage. The CITY reserves the right at any time during the term of this Contract to change the amounts and types of insurance required hereunder by giving BORROWER ninety (90) days' advance written notice of such change. If such change should result in substantial additional cost to BORROWER, the CITY agrees to negotiate additional compensation proportional to the increased benefit to the CITY.

5. Failure to Procure Insurance. All required insurance must be submitted and approved by the Office of the City Administrative Officer, Risk Management prior to the inception of any operations by BORROWER.

BORROWER'S failure to procure or maintain required insurance or a self-insurance program during the entire term of this Contract shall constitute a material breach of this Contract under which the CITY may immediately suspend or terminate this Contract or, at its discretion, procure or renew such insurance to protect the CITY'S interests and pay any and all premiums in connection therewith and recover all monies so paid from CONTRACTOR.

EXHIBIT Q (Continued)

6. Workers' Compensation. By signing this Contract, BORROWER hereby certifies that it is aware of the provisions of Section 3700 et seq., of the California Labor Code which require every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and that it will comply with such provisions at all time during the performance of the work pursuant to this Contract.

7. California Licensee. All insurance must be provided by an insurer admitted to do business in California or written through a California-licensed surplus lines broker or through an insurer otherwise acceptable to the CITY. Non-admitted coverage must contain a **Service of Suit** clause in which the underwriters agree to submit as necessary to the jurisdiction of a California court in the event of a coverage dispute. Service of process for this purpose must be allowed upon an agent in California designated by the insurer or upon the California Insurance Commissioner.

8. Aggregate Limits/Impairment. If any of the required insurance coverages contain annual aggregate limits, BORROWER must give the CITY written notice of any pending claim or lawsuit which will materially diminish the aggregate within thirty (30) days of knowledge of same. You must take appropriate steps to restore the impaired aggregates or provide replacement insurance protection within thirty (30) days of knowledge of same. The CITY has the option to specify the minimum acceptable aggregate limit for each line of coverage required. No substantial reductions in scope of coverage which may affect the CITY'S protection are allowed without the CITY'S prior written consent.

9. Commencement of Work. For purposes of insurance coverage only, this Contract will be deemed to have been executed immediately upon any party hereto taking any steps that can be considered to be in furtherance of or towards performance of this Contract. The requirements in this Section supersede all other sections and provisions of this Contract, including, but not limited to, PSC-4, to the extent that any other section or provision conflicts with or impairs the provisions of this Section.

EXHIBIT Q

Insurance Requirements

Name: New Pershing ApartmentsDate: 1/29/13

Agreement/Reference: _____

Evidence of coverages checked below which have as a minimum the limits shown must be submitted and approved prior to occupancy/start of operations. Amounts shown are Combined Single Limits ("CSL"). Split limits may be substituted if the total per occurrence equals or exceeds the CSL amount.

	Limits
✓ Workers' Compensation (Statutory Limit)/Employer's Liability	1,000,000

☒ Waiver of Subrogation in favor of City☐ Longshore & Harbor Workers☐ Jones Act

✓ General Liability	4,000,000
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☒ Premises and Operations☐ Collapse and Underground☒ Contractual Liability☒ Products/Completed Operations☒ Independent Contractors☒ Fire Legal Liability☐

✓ Automobile Liability (if vehicle is used for this contract, other than commuting to/from work)	1,000,000
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☒ Hired Automobiles☒ Owned Automobiles☒ Non-owned Automobiles☐**Professional Liability** (Errors and Omissions)

Discovery Period _____

✓ Property Insurance to cover value of building (as determined by City or insurance company)	**
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☒ All Risk Coverage☒ Boiler and Machinery☒ Extended Coverage☐ Debris Removal☒ Flood☒ **Loss of Rents (for 12 mos)**☐ Earthquake☒ **Vandalism & Malicious M****Pollution Liability**☐**Fidelity Bond****Surety Bond****Crime Insurance**Other ****Property Insurance Amount= Replacement Value****Hazard Insurance Deductible- \$2,500 max deductible per occurrence, or \$1,000 more with City concurrence****Boiler & Machinery- 80% coinsurance; replacement cost coverage is required****Builder's Risk & Physical Damage Policy- during construction, City must be named as additional loss payee**