

LAS VILLAS DE PASEO NUEVO

AFFORDABLE HOUSING PRE-DEVELOPMENT
AND CONSTRUCTION LOAN AGREEMENT

(\$5,000,000)

(Loan # _____)

BY AND BETWEEN

THE CITY OF OXNARD

AND

PASEO NUEVO PARTNERS, L.P.

Date: _____, 2011

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LAS VILLAS DE PASEO NUEVO

AFFORDABLE HOUSING PRE-DEVELOPMENT AND
CONSTRUCTION LOAN AGREEMENT

(\$5,000,000)

This Affordable Housing Pre-Development and Construction Loan Agreement ("Loan Agreement" or "Agreement") is dated as of this _____ day of _____, 2011, for identification purposes only and entered into by and between the City of Oxnard, a municipal corporation ("City"), and Paseo Nuevo Partners, L.P., a California limited partnership ("Paseo Nuevo Partners").

RECITALS

A. City and Oxnard Community Development Commission ("Commission") entered into a Cooperation Agreement on January 18, 2011, as further clarified on March 8, 2011, by adoption of Resolution Nos. 13, 351 and 147, respectively (collectively the "Cooperation Agreement"). In addition, by adoption of Resolution Nos. 13, 351 and 147 and a subsequent assignment and assumption agreement to be entered/entered into by and between the City and the Commission, all assets of the Commission, including funds in the Low and Moderate Income Housing Fund, were transferred and assigned to the City. By authority of the Cooperation Agreement and the assignment of the Commission's assets, the City is obligated and authorized to continue the implementation of redevelopment within the Ormond Beach, Southwinds, Downtown Revitalization, Central Community Revitalization and HERO Project Areas, including, without limitation, the authority to enter into this Agreement. However, the City's responsibility herein in regard to the Loan Agreement is expressly limited to the assets and revenues available to Commission that have been, or in the future will be, transferred to the City.

B. City, on behalf of the Commission and in furtherance of the Cooperation Agreement, wishes to promote the development of more affordable rental housing in neighborhoods in need of development and revitalization in the Historic Enhancement and Revitalization of Oxnard ("HERO") Project Area of the City of Oxnard and to provide a greater choice of housing opportunities for persons and families of low and moderate income.

C. Paseo Nuevo Partners wishes to borrow from City, and City wishes to extend to Paseo Nuevo Partners, a loan in an amount not to exceed Five Million Dollars (\$5,000,000) (the "City Loan") for Eligible Costs (hereinafter defined in Section I) in connection with the acquisition and development of 4.93 acres of land located in the Cypress Neighborhood southwest of the intersection of Cypress Road and Pleasant Valley Road as described in Exhibit A-1 and graphically depicted in Exhibit A-2 (the "Site").

D. Development of the Site entails the removal of twenty-two (22) existing residential dwellings identified as 5655, 5667, 5701, 5703-5705, 5709, 5711, 5713, 5715 and 5727 Cypress Road, Oxnard, California, and the subsequent development of seventy-two (72) affordable apartment units (including one manager's unit) for persons or families of low and moderate income according to the terms of this Loan Agreement (the "Project").

E. As a condition of the City Loan, Paseo Nuevo Partners shall execute, among other things, promissory notes, deeds of trust, and the Agreement Containing Covenants. The deeds of trust and Agreement Containing Covenants shall be recorded against the Site and are intended to secure, among other things, the City Loan and City's continuing interest in the affordability and habitability of the Project, as well as to secure performance of other covenants contained in this Loan Agreement.

NOW THEREFORE, IN CONSIDERATION of the mutual agreements, obligations, and representations, and in further consideration for the making of the Loan, Paseo Nuevo Partners and City hereby agree as follows:

SECTION I. DEFINITIONS

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

1.1 "AFFORDABLE UNIT" shall mean each of seventy-two (72) rental dwelling units developed as part of the Project in accordance with all of the terms and conditions of this Agreement and restricted in accordance with the Agreement Containing Covenants. Unless a different meaning is apparent from the context or is specified elsewhere in this Agreement, the following words and terms shall have the same meaning given or attributed to them in the California Health and Safety Code and in Title 25 of the California Code of Administrative Regulations: (a) adjusted income; (b) annual income; (c) housing cost; (d) family; (e) household; (f) persons and families of low and moderate income; (g) monthly adjusted income; (h) monthly income; (i) operating expenses; and (j) affordable rent (as expressly defined in California Health and Safety Code section 50053).

1.2 "AGREEMENT CONTAINING COVENANTS" means the agreement, in the form of Exhibit F attached hereto and incorporated herein by this reference, recorded on the Site which sets forth certain standards imposed by City as to the use and affordability of the Project. The Agreement Containing Covenants shall be recorded senior to all liens and encumbrances and shall not be subordinate to any debt secured upon the Site. The restrictions of the Agreement Containing Covenants are in addition to and independent of any restrictions imposed by any other funding or regulatory entity and shall be recorded in a position superior to all liens and encumbrances secured against the Site.

1.3 "AFFORDABLE HOUSING IN-LIEU FEE ("AHILF") LOAN" means a loan in the amount of Two Million Dollars (\$2,00,000) funded through In-Lieu Affordable Housing Fees

established under the provisions of Ordinance No. 2615 of the City as shown in the Budget and approved concurrent with the City Loan.

1.4 "ANNUAL FINANCIAL STATEMENT" shall mean the financial statement of Operating Expenses and Revenues, prepared at the Paseo Nuevo Partners' expense, in accordance with GAAP by an independent certified public accountant reasonably acceptable to Director, which shall form the basis for determining the Residual Receipts.

1.5 "BUDGET" means that preliminary budget for the development of the Project, including Acquisition Costs, Predevelopment Costs, and Construction Costs, attached as Exhibit B and incorporated into this Loan Agreement by this reference. The Budget shall be subject to the Director's approval as set forth in this Agreement.

1.6 "BUSINESS DAY" means Monday through Friday, inclusive, excluding any day of the year on which City is required or authorized to close.

1.7 "CALENDAR YEAR" shall mean the year beginning on January 1st and ending on December 31st.

1.8 "CERTIFICATE OF OCCUPANCY" means a certificate (or equivalent approval) issued to Paseo Nuevo Partners by City allowing habitable occupancy of all or any portion of the Project.

1.9 "CERTIFIED STATEMENT OF COSTS" shall mean the audit required by Section 6.15(5) relating to the Development Costs of the Project.

1.10 "CITY" means the City of Oxnard, California, a municipal corporation.

1.11 "CITY LOAN" means a loan in the amount of Five Million Dollars (\$5,000,000) funded through the Low and Moderate Income Housing Fund established under the provisions of California Health and Safety Code Sections 33334.2, 33334.3 and 33334.6, as more particularly set forth in this Agreement.

1.12 "COMMENCEMENT OF CONSTRUCTION" means the time Paseo Nuevo Partners or Paseo Nuevo Partners' construction contractor or subcontractor begins any physical construction work on the Project at the Site, including site preparatory work.

1.13 "COMMISSION" means the Oxnard Community Development Commission, a public body, corporate and politic, exercising governmental functions and powers, and organized and existing under Chapter 2 of the Community Redevelopment Law of the State of California and its authorized representatives, assigns, transferees, or successors-in-interest thereto. The principal office of Commission is located at 214 South C Street, Oxnard, CA 93030.

1.14 "COMMUNITY REDEVELOPMENT LAW" means the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 et seq.).

1.15 RESERVED.

1.16 "DEEDS OF TRUST" collectively means the "PILOT Deed of Trust" and the "City Deed of Trust" in the form of Exhibits E and G attached hereto and incorporated herein by this reference, recorded against the Site as security for the City Loan and PILOT Compensation by Paseo Nuevo Partners as trustor with City as beneficiary, as well as any amendments to, modifications of, and restatements of said deeds of trust.

1.17 "DEVELOPMENT COSTS" shall mean all costs which are incurred by Paseo Nuevo Partners for the development of the Site in accordance with this Loan Agreement, including all of the following: (i) Acquisition Costs; (ii) Predevelopment Costs; and (iii) Construction Costs (as such terms are defined below).

- (a) "Acquisition Costs" Acquisition Costs means and includes: title policy and title insurance; escrow fees and closing costs; appraisals; purchase agreements (not to exceed the appraised fair market value of the real property); and similar costs and expenses necessary and appropriate to the assemblage of land necessary for acquisition of the Site and development of the Project.
- (b) "Predevelopment Costs" Predevelopment Costs mean and includes: specialized studies (e.g., environmental site assessment, geotechnical, etc.); planning and design, including architecture and engineering; legal and accounting expenses; permit processing and development fees; options to purchase land and holding costs of land that has been acquired (e.g., property management, taxes, insurance, and finance charges); (vii) tenant relocation payments and assistance pursuant to the City-adopted Relocation Plan; (viii) Site clearance costs; and (ix) other preliminary expenses approved in writing by the Director.
- (c) "Construction Costs" Construction Costs shall mean the cost of constructing the Project including: (i) "soft costs" consisting of construction interest and "points," permanent financing costs, fees and "points" in connection with any loan contemplated by this Loan Agreement or otherwise approved by City; property taxes, assessments, utility fees, developer fees; syndication fees; security fees and similar holding costs incurred during the period of construction; and (ii) "hard costs" consisting of on and off-site improvements; building construction; landscaping; parking; and related work necessary and appropriate for completing the Project in accordance with Final Construction Documents approved by City.

1.18 "DIRECTOR" means the Director of Community Development for the City.

1.19 "ELIGIBLE COSTS" means: (i) Acquisition Costs, Predevelopment Costs, and Construction Costs; (ii) that constitute allowable uses of Low and Moderate Income Housing Funds under the Community Redevelopment Law (Health and Safety Code Sections 33334.2.(e) and 33334.3); and (iii) are specified in the Budget attached as Exhibit B and approved by the Director as provided herein.

1.20 "GAAP" shall mean generally accepted accounting principles consistently maintained and applied throughout the period indicated and consistent with the prior financial practice of the person providing such financial information.

1.21 RESERVED.

1.22 "GROSS REVENUE" with respect to a particular Calendar Year shall mean all revenue, income, receipts, and other consideration received from the ownership, operation and/or management of the Site and/or the Improvements, including, without limitation, the leasing of the Project. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants, Section 8 payments or other rental subsidy payments received for the dwelling units, deposits forfeited by tenants, all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance (if not used to replace or repair the Project or to reimburse Paseo Nuevo Partners for the cost to replace or repair the same); and condemnation awards for a taking of part of all of the Project for a temporary period. Gross Revenue shall also include the fair market value of any goods or services provided in consideration for the leasing or other use of any portion of the Project. Gross Revenue shall not include: (i) tenants' security deposits, interest on security deposits, capital contributions or similar advances, amounts released from reserves or interest on reserves; or (ii) the value of social services provided on site by a social services coordinator, if any.

1.23 "HAZARDOUS MATERIALS" means any substance, material, waste, pollutant, or contaminant which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is defined, regulated, or listed as "hazardous" or "extremely hazardous" or defined, regulated or listed as a "hazardous substance," "hazardous waste," "hazardous material," "pollutant," "contaminant," "toxic substance," "extremely hazardous waste," or "restricted hazardous waste" under any federal, state or local environmental or health and safety laws and regulations, as may be amended from time to time. Hazardous Materials include, but are not limited to, petroleum and petroleum byproducts, flammable explosives, urea formaldehyde insulation, polychlorinated biphenyls, radioactive materials, asbestos, and lead. Hazardous Materials do not include substances that are used or consumed in the normal course of developing, operating, maintaining 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, laws, rules and regulations.

1.24 RESERVED.

1.25 "IMPROVEMENTS" means the Project to be constructed on the Site.

1.26 RESERVED.

1.27 "LOAN AGREEMENT" means this Loan Agreement entered into between the City and Paseo Nuevo Partners.

1.28 "LOAN COVERAGE THRESHOLD" shall mean an amount not to exceed ninety percent (90%) of the Value of the Site.

1.29 "LOAN CLOSING" shall mean the point in time when all conditions precedent to the disbursement of the City Loan have been satisfied as set forth in Section 4.3.

1.30 "LOAN DOCUMENTS" shall mean collectively the Loan Agreement, the Deeds of Trust, the Notes, the Assignment of Architect's Contract, and the Agreement Containing Covenants, as they may be amended, modified, or restated from time to time, along with all exhibits and attachments to these documents.

1.31 RESERVED.

1.32 RESERVED.

1.33 "LOW INCOME HOUSEHOLD" means a household whose annual income does not exceed eighty percent (80%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Primary Metropolitan Statistical Area as determined by the California Department of Housing and Community Development ("HCD") with adjustments for smaller and larger households.

1.34 "MODERATE INCOME HOUSEHOLD" means a household whose annual income does not exceed one-hundred twenty percent (120%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Primary Metropolitan Statistical Area as determined by the California Department of Housing and Community Development ("HCD") with adjustments for smaller and larger households.

1.35 "NET PROCEEDS" means the proceeds of a sale, transfer or refinancing of any portion of the Site and/or the Improvements, less the amount required to pay in full the PILOT Compensation and City Loan, and all other loans secured by the Site that have priority over the Notes, and the reasonable costs of the transaction incurred by Paseo Nuevo Partners.

1.36 "NOTES" means collectively the "PILOT Promissory Note" and "City Promissory Note" in the forms of Exhibits D and F attached hereto and incorporated herein by this reference, executed by Paseo Nuevo Partners in favor of the City evidencing the PILOT Compensation and City Loan, which are secured by the Deeds of Trust, as well as any amendments to, modifications of, or restatements of the PILOT Promissory Note and/or City Promissory Note.

1.37 "OPERATING EXPENSES" with respect to each Calendar Year shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property and other taxes and assessments imposed on the Project; premiums for property damage and liability insurance; utility services not paid for directly or reimbursed by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common

systems repairs, general repairs, janitorial, supplies, and similar customary utility services; any license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and marketing, security services and systems, professional fees for legal, audit, accounting and tax returns for the limited partnership, and similar customary administrative expenses; property management fees, not to exceed \$45.00 per unit per month in the first year with annual increases thereafter in proportion to the increases in affordable rent for the Project or six percent (6%) of Revenue, whichever is higher; an asset management fee not to exceed \$7,500 payable to the tax credit investor and a separate partnership management fee not to exceed \$10,000 payable to the managing general partner(s) beginning in the first year and increased thereafter at an annual rate not to exceed three percent (3%); cash deposited into a replacement reserve in the amount of \$250 per unit per year, subject to annual increases not to exceed three percent (3%) or as otherwise required by a Permitted Mortgagee; cash deposited into an operating reserve in such reasonable amounts as are required by the Permitted Mortgagees, TCAC, or Paseo Nuevo Partners' tax credit investor from time to time; and debt service payments on Permitted Mortgages which are senior in priority to the Deeds of Trust and on the Seller Carry-Back Note to the extent consistent with the City-approved Budget. "Annual Operating Expenses" shall not include the following: depreciation, amortization, depletion or other non-cash expenses or any amount expended from a reserve account. Annual Operating Expenses shall be subject to the reasonable approval of Director.

1.38 "OPERATING RESERVE FUND" shall mean the fund established pursuant to Section 3.6(i). The Operating Reserve Fund shall be initially funded concurrent with the closing of the permanent loan or upon the funding of the final installment of equity.

1.39 "PAYMENT DATE" shall mean the first April 1st after the end of the first Calendar Year (or partial year) in which a Certificate of Occupancy is issued for the Project, and annually on each April 1st thereafter, until the City Loan and PILOT Compensation are both repaid in full, including interest, principal and all other fees and payment owed thereunder.

1.40 "PASEO NUEVO PARTNERS" mean Paseo Nuevo Partners, L.P., a California limited partnership. The term Paseo Nuevo Partners shall also include the Paseo Nuevo Partners' assigns, transferees, or successors-in-interest thereto expressly permitted herein.

1.41 "PERMITTED MORTGAGE" means the conveyance of a security interest in the Site to secure a loan which satisfies all of the following:

(a) the loan is a loan for the Project set forth in the City-approved Budget, or the refinancing thereof to the extent the refinancing is solely to pay the outstanding principal and interest of such loan;

(b) the security interest instrument and all related loan agreement documents for such loan have been approved in writing by the Director as being consistent with the terms and conditions of this Agreement;

(c) the loan, together with all other loans secured by the Site or any portion thereof, does not exceed the Loan Coverage Threshold;

(d) the loan is used solely for the financing or refinancing of Development Costs; and

(e) the loan is not cross-collateralized with any other real property.

The parties agree that the PILOT Deed of Trust shall be a Permitted Mortgage hereunder and shall not be counted in the calculation of the Loan Coverage Threshold. "Permitted Mortgages" shall collectively mean all of the Permitted Mortgages. "Permitted Mortgagee" shall mean the holder of any Permitted Mortgage.

1.42 "PILOT" means payment in lieu of taxes as described in Section 3.1 hereof.

1.43 "PLANS AND SPECIFICATIONS" means the final architectural Plans and Specifications which are commonly known as "working drawings" and are the basis for issuance of the Project's building permit and used by the contractor to construct the Project.

1.44 "PROJECT" as defined in Recital D.

1.45 "RELEASE OF CONSTRUCTION COVENANTS" means that certificate issued to Paseo Nuevo Partners by City evidencing completion of the Project pursuant to the terms of this Loan Agreement.

1.46 "RELOCATION" means the provision of advisory services, payment of moving expenses and compensation for replacement housing for all persons and families displaced from the Site as a result of the Project in accordance with the terms of the Relocation Plan adopted concurrent with this Loan Agreement, as well as all applicable Relocation Laws.

(a) "Relocation Costs" shall mean all costs required to extinguish right(s) to possession held by the residents lawfully occupying the Project Site who have been or will be displaced as a result of the development contemplated by this Loan Agreement.

(b) "Replacement Housing" shall mean dwellings that are made available to and occupied by persons and families displaced from the Project Site at rates that are affordable to such persons and families in compliance with Relocation Laws and in accordance with the Relocation Plan adopted by City concurrent with this Loan Agreement.

(c) "Relocation Laws" shall mean all applicable state and local relocation laws, including, without limitation, the California Relocation Assistance Law, California Government Code Section 7260 et seq. and the implementing regulations thereto in the California Code of Regulations, Title 24, Section 6000 et seq. and the local implementing regulations thereto, and all applicable federal relocation laws, including, without limitation, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. 4201-4655, and 49 CFR Part 24, the acquisitions and eminent domain laws in California Government Code Section

7267 et seq. and Code of Civil Procedure Section 1240.000 et seq. and any other applicable federal, state or local enactment, regulation or practice providing for relocation assistance and benefits, acquisition and/or compensation of property interests (including, without limitation, goodwill and furnishings, fixtures and equipment, leasehold bonus value, and moving expenses).

1.47 "REPLACEMENT RESERVE FUND" shall mean the fund established pursuant to Section 3.6(H).

1.48 "RESIDUAL RECEIPTS" shall mean, in a particular Calendar Year, the amount by which Gross Revenue exceeds Operating Expenses, as determined by an audit to be completed not later than 90 days after the end of each Calendar Year during the term of the City Promissory Note and PILOT Promissory Note, by an independent certified public accountant reasonably acceptable to the Director, using generally accepted accounting principles and based on actual expenses incurred and revenues received during each such Calendar Year (the "Audit"). The first such Audit shall be for the partial year beginning on the date a Certificate of Occupancy has been issued for the Project and ending on December 31 of that year. The Director shall review and approve such Audit, or request revisions, within 30 days after receipt. The Audit shall determine the amount of Residual Receipts, if any, generated in that year, together with payment of City's fifty percent (50%) share of such Residual Receipts. All calculations of Residual Receipts shall be subject to: (i) verification; and (ii) reasonable written approval by the Director.

1.49 "REVENUE" shall mean the Gross Revenue, and any other income to Paseo Nuevo Partners derived from the ownership, operation and/or management of the Site and/or Improvements.

1.50 "SCHEDULE OF PERFORMANCE" means the schedule provided in Exhibit C attached hereto, as the same may be amended from time to time upon mutual written agreement between Paseo Nuevo Partners and the Director, incorporated herein by this reference.

1.51 "SCOPE OF DEVELOPMENT" shall mean construction of the Project, as defined in Recital D, in accordance with this Loan Agreement and the Plans and Specifications approved by the City, subject to all terms and conditions of approval granted pursuant thereto.

1.52 "SITE" consists of the real property located within the HERO Redevelopment Project, more particularly described in Exhibit A-1 and graphically depicted in Exhibits A-2 and A-3 hereto.

1.53 RESERVED.

1.54 "TCAC" shall refer to the State of California Tax Credit Allocation Committee.

1.55 "UNIFORM HAZARDOUS WASTE MANIFEST" shall refer to the State of California Environmental Protection Agency approved form documenting the transportation and proper disposal of hazardous wastes to a state classified hazardous waste disposal site.

1.56 "VALUE" shall mean the then fair market value of the Site based upon an appraisal approved in writing by the Director, which appraisal is prepared at Paseo Nuevo Partners' expense by an independent certified M.A.I. appraiser with at least ten years relevant experience who is acceptable to the Director. The fair market value shall be based upon then current condition of the Site.

1.57 "VERY LOW INCOME HOUSEHOLD" means a household whose annual income does not exceed fifty percent (50%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area as determined by HCD with adjustments for smaller and larger households.

SECTION 2. EXHIBITS

The following documents are attached to this Loan Agreement and are incorporated in the Loan Agreement by this reference as though fully set out in the body of the Loan Agreement:

- A-1 Legal Description
- A-2 Site Map
- A-3 Preliminary Development Plan
- B. Budget
- C. Schedule of Performance
- D. Form of PILOT Promissory Note
- E. Form of PILOT Deed of Trust
- F. Form of City Promissory Note
- G. Form of City Deed of Trust
- H. Form of Agreement Containing Covenants
- I. Form of Notice of Affordability Restrictions
- J. Form of Assignment of Architect's Contract

SECTION 3. FINANCIAL PROVISIONS

3.1 PILOT COMPENSATION.

(a) Compensation Amount. Paseo Nuevo Partners shall compensate City for loss of property tax revenue as a result of the tax exempt status of Paseo Nuevo Partners' managing general partner ("PILOT Compensation"). Commencing on the first Payment Date and terminating on April 1, 2044, Paseo Nuevo Partners shall pay to the City as and for the PILOT Compensation the sum of One Hundred Twenty Thousand Five Hundred Ninety Seven Dollars (\$120,597.00) (the "Base Amount") plus, commencing on the second Payment Date and each Payment Date thereafter terminating on April 1, 2044, an increase of the Base Amount at an annual rate of two percent (2%). Commencing on April 1, 2044 and each and every Payment Date thereafter and terminating when any accrued and unpaid PILOT Compensation has been paid in full, Paseo Nuevo Partners shall pay to the City any accrued and unpaid PILOT Compensation.

(b) Repayment Obligation. The obligation of Paseo Nuevo Partners under Section 3.1(a) shall be evidenced by a PILOT Promissory Note and secured by a PILOT Deed of Trust upon the Site in the form set forth in Exhibits D and E attached hereto and incorporated herein by this reference, which PILOT Deed of Trust shall be in such lien priority as set forth in Section 3.6(d)(2). The PILOT Compensation shall be paid to City in annual installments from Residual Receipts as provided in Section 3.5. Any unpaid sums due on any Payment Date shall accrue until paid in full. If Residual Receipts (as they may be available from time to time) are not sufficient to pay in full the annual and accrued amount of PILOT Compensation by the end of the 55-year term of the affordability covenants imposed upon the Project, provided that Paseo Nuevo Partners is not in default under any Loan Documents, the unpaid balance of principal remaining at the end of the 55-year term (if any) shall be forgiven, and the PILOT Promissory Note shall be cancelled and the PILOT Deed of Trust shall be re-conveyed. Notwithstanding the foregoing, the principal and any accrued amount of the PILOT Compensation shall be due and payable upon the occurrence of either of the following: (a) the date any portion of, or interest in, the Site or Improvements is sold, transferred, assigned, conveyed, financed or refinanced without the prior written consent of City; or (b) a material default by Paseo Nuevo Partners under this Agreement or under any of the Loan Documents which has not been cured as provided herein or therein.

3.2 CITY LOAN.

(a) Loan Amount. Subject to the terms and conditions of this Agreement and the applicable Loan Documents, City agrees to make and Paseo Nuevo Partners agrees to accept a loan in an amount not to exceed Five Million Dollars (\$5,000,000), evidenced by a City Promissory Note and secured by a City Deed of Trust recorded against the Site in the forms set forth in Exhibits F and G attached hereto and incorporated herein by this reference, which City Deed of Trust shall be in such lien priority as set forth in Section 3.6(d)(2). The City Promissory Note shall bear simple interest for the entire term of the Loan at the annual rate of three percent (3%). Interest on the City Loan shall be charged on the principal amount outstanding from the date of disbursement until paid.

Paseo Nuevo Partners acknowledges and agrees that the City intends to fulfill its financial obligations under this Agreement through tax increment funds and/or associated bond proceeds made available by the Commission pursuant to the Cooperation Agreement, and not through the City's general fund. Accordingly, nothing in this Agreement shall require the City to expend or promise to expend monies from its general fund to satisfy all or any portion of the obligations set forth in this Agreement. Paseo Nuevo Partners acknowledges and agrees that the City's liability for damages resulting from or under this Agreement shall be limited to tax increment funds and/or associated bond proceeds in the City's possession, and without resort to any other assets of the City.

(b) Loan Terms. Commencing on the first Payment Date and each and every Payment Date thereafter, the City Loan shall be paid to City in annual installments from Residual Receipts as provided in Section 3.5. Any unpaid sums due on any Payment Date shall accrue

until paid in full. Unless sooner due pursuant to the Loan Documents, the unpaid principal of the City Loan and all accrued interest thereon shall be due and payable on the earliest of: (a) thirty-one (31) years from the date of the City Promissory Note (or such longer term as may be required by a Permitted Mortgage senior to the City Deed of Trust or the tax credit investor); (b) the 55-year term of the Agreement Containing Covenants; (c) the date any portion of, or interest in, the Site or Improvements is sold, transferred, assigned, conveyed, financed or refinanced without the prior written consent of City; or (d) a material default by Paseo Nuevo Partners under this Agreement or under any of the Loan Documents which has not been cured as provided herein or therein.

3.3 RESERVED.

3.4 RESERVED.

3.5 PAYMENT OBLIGATIONS

(a) Financial Statement. On or before each Payment Date commencing with the first Payment Date, Paseo Nuevo Partners shall submit to the Director Paseo Nuevo Partners' Annual Financial Statement for the preceding Calendar Year (prepared at Paseo Nuevo Partners' expense by an independent certified public accountant reasonably acceptable to Director). Residual Receipts shall be determined on the basis of the Annual Financial Statement. The Director shall review and approve, in writing, such statement, or request revisions, within thirty (30) days after receipt. In the event that the Director determines as the result of his or her review that there is an understatement in the amount of Residual Receipts, Paseo Nuevo Partners shall promptly pay to City its share of such understatement, but in any event within ten (10) days of notice of such understatement.

(b) Residual Receipts. The total sum of Residual Receipts shall be distributed as follows: (i) 50% of the Residual Receipts shall be allocated to pay the Deferred Developer Fee and the Contractor Fee as set forth in the City-approved Budget; and (ii) 50% of Residual Receipts shall be distributed to City and shall be applied in the following order: (A) first to pay PILOT Compensation (described in Section 3.1, including accruals), and (B) second, to pay interest and principal on the City Loan (described in Section 3.2, including accruals).

3.6 GENERAL PROVISIONS

(a) Use Of Funds. City Loan proceeds may be used only for Eligible Costs. Paseo Nuevo Partners acknowledges and agrees that the City Loan is made from Low and Moderate Income Housing Fund and that the use of the City Loan proceeds is governed by and the City Loan proceeds may only be used in accordance with the provisions of the Community Redevelopment Law.

(b) Prepayments. Paseo Nuevo Partners shall have the right to prepay the PILOT Compensation and City Loan in whole or in part. No prepayment penalty will be charged to Paseo Nuevo Partners for such pre-payment. Paseo Nuevo Partners acknowledges and agrees

that prepayment of the PILOT Compensation and City Loan shall not affect any obligations under the Agreement Containing Covenants, all of which shall remain in full force and effect for the entire 55-year term of the Agreement Containing Covenants (except the non-discrimination covenants which shall run in perpetuity).

(c) Loan Documents. As security for the City Loan and PILOT Compensation, Paseo Nuevo Partners shall execute the Deeds of Trust in the forms attached as Exhibits E and G. Paseo Nuevo Partners shall deliver concurrently with the execution of the Deeds of Trust, the original executed Notes in the form attached as Exhibits D and F. Paseo Nuevo Partners agrees to assign and transfer to City, subject to the rights of senior lien holders, all of (1) Paseo Nuevo Partners' 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) Paseo Nuevo Partners' right, title and interest in the agreement between Paseo Nuevo Partners and the architect relating to the Project, in the form attached as Exhibit J and incorporated herein by this reference.

(d) Encumbrances. Except for a Permitted Mortgage, Paseo Nuevo Partners shall not cause or allow any deed of trust, mortgage, or other security instrument to be recorded against the Site and/or the Improvements, or any portion thereof or any interest therein, prior to reconveyance in full of the Deeds of Trust, and any default or breach of the foregoing prohibition shall be a material default hereunder. Paseo Nuevo Partners shall promptly notify City of any mortgage, deed of trust, sale and lease-back or other financing conveyance, encumbrance or lien that has been or is intended to be created or attached thereto, whether by voluntary act of Paseo Nuevo Partners or otherwise. The words "mortgage" and "deed of trust," as used herein, include all other appropriate modes of financing real estate acquisition, construction and land development.

(1) Order of Priority – First Draw. At the Loan Closing in connection with the First Draw pursuant to Section 4.1.(a), the following documents shall be recorded against the Site in the following order of priority, and no other debt shall be encumbered on the Site:

- (A) Grant Deed conveying fee title to the Site to Paseo Nuevo Partners;
- (B) Agreement Containing Covenants;
- (C) Notice of Affordability Restrictions;
- (D) Deed of Trust securing the City Note;
- (E) Deed of Trust securing the AHILF Note;
- (F) Deed of Trust securing the Seller Carry-Back Note; and

(G) Deed of Trust securing the PILOT Note.

(2) Order of Priority – Second Draw. At the Loan Closing in connection with the Second Draw pursuant to Section 4.1.(b), the following documents shall be recorded (and subordinated as necessary) against the Site in the following order of priority, and no other debt shall be encumbered on the Site:

- (A) Grant Deed conveying fee title to the Site to Paseo Nuevo Partners;
- (B) Agreement Containing Covenants;
- (C) Notice of Affordability Restrictions;
- (D) Deeds of Trust securing the Permitted Mortgages;
- (E) Deed of Trust securing the Seller Carry-Back Note;
- (F) Deed of Trust securing the PILOT Note;
- (F) City Deed of Trust securing the City Note; and
- (G) City Deed of Trust securing the AHILF Loan Note.

(3). Loan Coverage. In specific regard to the Second Draw pursuant to Section 4.1.(b), and as a condition precedent to funding and disbursement, the City Loan, in combination with all other Permitted Mortgages, the Seller Carry-Back Note and AHILF Loan (but not including PILOT Deed of Trust), shall not exceed the Loan Coverage Threshold.

(e) Title And Title Insurance. Paseo Nuevo Partners warrants that it will obtain prior to the Loan Closing and thereafter maintain good and marketable fee title to the Site. As a condition for disbursing the City Loan, Paseo Nuevo Partners shall, at Paseo Nuevo Partners' expense, cause a title company to issue one or more ALTA lender's policy(ies) of title insurance naming City as the insured with a combined liability not less than the principal amount of the PILOT Compensation and City Loan, issued by an insurer satisfactory to City, showing Paseo Nuevo Partners as fee title owner of the Site, subject only to such defects, liens, encumbrances, and exceptions as are approved in writing by the Director and as may be consistent with this Agreement, and containing such endorsements as City may reasonably require.

(f) Recording. Prior to funding of any of the City Loan proceeds, the title company shall record the Deeds of Trust, Agreement Containing Covenants and Notice of Affordability Restrictions with the Recorder for the County of Ventura in such order as listed in Section 3.6(d)(1), and shall deliver conformed copies of the recorded documents to City and Paseo Nuevo Partners.

(g) Subordination. To the extent required by any Permitted Mortgagee, the Director may take such actions as may be reasonably necessary in order to subordinate the Deeds of Trust to the lien of the applicable Permitted Mortgage (except a lien securing the AHILF Loan as described in the Budget) and to the regulatory agreement between Paseo Nuevo Partners and the TCAC to be recorded in connection with the low income housing tax credits, so long as such subordination is consistent with the terms and conditions of this Agreement and the Permitted Mortgagee executes (in recordable form) a subordination agreement containing, at a minimum, the following rights for the benefit of the City, and such subordination agreement is recorded against the Site:

(1) Upon the occurrence of an event of default under the Permitted Mortgage and/or any related loan document, the Permitted Mortgagee shall concurrently notify City of the occurrence of such event of default;

(2) City shall have the right (but not the obligation), during the cure periods which apply to Paseo Nuevo Partners pursuant under the Permitted Mortgage and/or any related loan document, to cure Paseo Nuevo Partners' default relative to the loan, and Permitted Mortgagee shall accept any such cure and Permitted Mortgagee agrees that Permitted Mortgagee shall not cause an acceleration (or will cause a de-acceleration) of the indebtedness or other obligations of Paseo Nuevo Partners under the Permitted Mortgage and/or any related loan document by reason of the default or breach which has been cured by City;

(3) After a default under the Permitted Mortgage and/or any related loan document, but prior to a foreclosure sale or deed in lieu assignment of the Site and/or the Improvements, City shall have the right (for itself or any assignee of City) (but not the obligation) to take title to the Site and/or the Improvements and cure the default relative to the loan, without Permitted Mortgagee exercising any right it might otherwise have to accelerate the loan by reason of such title transfer; and

(4) After a default under the Permitted Mortgage and/or any related loan document, but prior to a foreclosure sale or deed in lieu assignment of the Site and the Improvements, City shall have the right (for itself or any assignee of City) (but not the obligation) to purchase the Site and the Improvements and pay all amounts due and owing under the loan, and Permitted Mortgagee agrees that the acquisition of title to the Site and the Improvements by City (or such assignee) shall not constitute an accelerating sale or transfer or an event of default pursuant to the Permitted Mortgage and/or any related loan document and that upon receipt of such payment Permitted Mortgagee shall immediately terminate, release, discharge and reconvey the Permitted Mortgage and any other liens or encumbrances of Permitted Mortgagee on the Site and/or Improvements.

(h) Replacement Reserve Fund. Concurrently with the closing of the permanent loan, Paseo Nuevo Partners shall establish and thereafter maintain, in an interest bearing account under Paseo Nuevo Partners' name, a reserve fund to be known as the Replacement Reserve Fund, to be used for the purpose of replacing structural elements or

equipment of the Improvements, or for any other purpose consistent with maintaining the physical or financial integrity of the Improvements. Paseo Nuevo Partners shall deposit annually therein, an amount equal to \$250 per unit per year. The Replacement Reserve Fund shall remain in the form of cash, and shall include all earnings thereon. The Replacement Reserve Fund shall be maintained during any period when the PILOT Compensation and the City Loan or any portion thereof remains outstanding. Paseo Nuevo Partners shall not withdraw funds from the Replacement Reserve Fund without the prior written consent of the Director or designee which consent shall not be unreasonably withheld or delayed if a Permitted Mortgagee approves said release. During any period when the City Loan is in effect, withdrawals from the Replacement Reserve Fund may also require the prior written approval of other lenders or investors if the loan documents so state.

In the event of a default on the part of Paseo Nuevo Partners under this Loan Agreement, the Agreement Containing Covenants, or a default under the Notes or Deeds of Trust pursuant to which event the principal amount of the Notes may be accelerated, City, subject to the rights of any senior lien holders, may apply or authorize the application of the funds in the Replacement Reserve Fund to the amount then due under the Notes or use such funds for the continued operation of the Improvements.

(i) Operating Reserve Fund. Concurrently with the closing of the permanent loan, Paseo Nuevo Partners shall establish and thereafter maintain, in an interest bearing account under Paseo Nuevo Partners' name, a reserve fund to be known as the Operating Reserve Fund, to be used for any Operating Expense deficit, and on said date Paseo Nuevo Partners shall deposit a minimum amount equal to three months of estimated Operating Expenses and hard debt service under stabilized occupancy (the "Minimum Amount"), as required by TCAC. In the event that the Operating Reserve Fund falls below the Minimum Amount required by TCAC then Paseo Nuevo Partners shall deposit such amount of monies so as to bring the Operating Reserve Account up to the amount required; provided, however, that Paseo Nuevo Partners' depository obligation is subject to, and contingent upon, the Project generating sufficient net operating income to fund the same. Except as provided below, to the extent that funds are available to deposit, the Operating Reserve Fund shall be maintained during any period when the City Loan or any portion thereof remains outstanding. Funds from the Operating Reserve Fund may be expended only when actual Revenue is insufficient to pay Operating Expenses. Notwithstanding the foregoing, the Operating Reserve Fund shall be released to Paseo Nuevo Partners, as permitted under the TCAC regulations (which presently is after attaining three (3) years of stabilized operations).

In the event of a default on the part of Paseo Nuevo Partners under this Loan Agreement, the Agreement Containing Covenants, or a default under the Notes or Deeds of Trust pursuant to which event the principal amount of the Loan may be accelerated, City, subject to the rights of any senior lien holders, may apply or authorize the application of the funds in the Operating Reserve Account to the amount then due under the Notes or use such funds for the continued operation of the Improvements.

(j) Bond Financing. The City Loan shall be subordinate to Commission's and City's existing bonded indebtedness and bond issuance(s) and the refunding or refinancing thereof and any future bonds City or Commission may issue and the bonded indebtedness incurred in connection therewith, provided that the Director determines at the time of issuance of any such future bonds that such issuance and indebtedness will not adversely affect City's ability to perform its obligations under this Loan Agreement. Bonded indebtedness includes any indebtedness incurred by City for bonds, notes, interim certificates, debentures, certificates of participation or other obligations issued by City.

(k) Document Execution And Recordation. Prior to and as a condition precedent to the Loan Closing, all of the following requirements shall first be satisfied:

(1) There exists no default, nor any act, failure, omission or condition that would constitute a default by Paseo Nuevo under this Agreement.

(2) Paseo Nuevo shall have acquired good and marketable fee title to the Site.

(3) In specific regard to the Second Draw pursuant to Section 4.1.(b), Paseo Nuevo Partners shall have: (i) delivered to City, and the Director shall have approved, a current appraisal of the Site in writing, which is prepared at Paseo Nuevo Partners' expense by an independent certified M.A.I. appraiser with at least ten years relevant experience who is acceptable to the Director; and (ii) evidenced that the City Loan, in combination with all other debt secured on the Site (excluding the PILOT Deed of Trust), will not exceed the Loan Coverage Threshold.

(4) Paseo Nuevo Partners shall have executed and delivered to City all documents, instruments, and policies required under this Loan Agreement in a form acceptable to City, including but not limited to the Loan Documents, and all such documents and instruments shall have been recorded against the Site in the lien priority as required by this Agreement.

(5) Paseo Nuevo Partners shall have delivered to City all documents relating to the Paseo Nuevo Partners' authorization of this Agreement and the Loan Documents, including: copies of all resolutions or other necessary actions taken by Paseo Nuevo Partners to authorize the execution of this Loan Agreement and the Loan Documents; a current certificate of status of Paseo Nuevo Partners issued by the California Secretary of State.

(6) The title company acceptable to Director shall have issued or shall be irrevocably committed to issue to City the ALTA lender's policy of title insurance evidencing fee title ownership to the Site under the terms and conditions stipulated in Section 3.6 above.

(7) Paseo Nuevo Partners shall have provided and delivered to City a certificate of insurance or copy of the insurance policy, which policy shall be satisfactory to City, as required by Section 9.2 below.

(8) Paseo Nuevo Partners shall have delivered to City, and the Director shall have approved, a current Budget.

(9) Paseo Nuevo Partners shall have delivered to City an environmental assessment prepared by a qualified engineer acceptable to City relating to the presence of Hazardous Materials in, on or around the Site, and confirming that all Hazardous Materials described in such assessment have been removed or mitigated in accordance with law, and that the condition of the Site will not result in liability for cleanup of the Site by Paseo Nuevo Partners or City under applicable law.

(10) Paseo Nuevo Partners shall have delivered an opinion in a form acceptable to City from counsel for Paseo Nuevo Partners that is acceptable to City, with respect to: (a) the legality, validity and binding effect of this Loan Agreement and its enforceability against Paseo Nuevo Partners in accordance with its terms; (b) the absence of any litigation or other proceeding, either pending or threatened, which could have a material adverse effect on the ability of Paseo Nuevo Partners to perform pursuant to the Loan Agreement; and (c) such other standard and customary matters for legal opinions of real estate secured financing transactions as reasonably required by City. The opinion shall disclose whether or not any consent, approval or other authorization, regulation, declaration, or filing with any court or governmental agency or City or other public entity known to Paseo Nuevo Partners is required for the due execution and delivery of the Notes and Deeds of Trust or the validity or enforceability thereof.

City, at its option, may terminate this Agreement by providing written notice to Paseo Nuevo Partners if any of the conditions precedent set forth above are not satisfied by December 31, 2011. This deadline may be extended by the Director in writing for good cause shown, provided a written request, including a statement of reasons for the time limit extension request is filed with City prior to the expiration date, and further provided that such extension shall not exceed ninety (90) days.

SECTION 4. CITY LOAN DISBURSEMENT

4.1 DISBURSEMENT OF CITY LOAN PROCEEDS. The City Loan shall be disbursed in two separate draws upon satisfaction or waiver of each and all of the conditions precedent to disbursement set forth in Section 4.3 below:

(a) First Draw. The first draw of City Loan proceeds totaling a maximum Two Million Dollars (\$2,000,000) ("First Draw") shall be used exclusively to pay eligible Acquisition Costs and Pre-Development Costs incurred by Paseo Nuevo Partners on and after the effective date of this Loan Agreement.

(b) Second Draw. The second draw of City Loan proceeds totaling a maximum Three Million Dollars (\$3,000,000) ("Second Draw") shall be used exclusively to pay eligible Construction Costs incurred by Paseo Nuevo Partners on and after the date of the First Draw.

4.2 AMOUNT OF DISBURSEMENTS. Total City Loan proceeds shall be disbursed up to the amount of the City Loan. Disbursement of City Loan proceeds shall be made in accordance with and pursuant to Section 4.1 of this Loan Agreement. Any change in individual items listed as Eligible Costs shall require the prior written request of Paseo Nuevo Partners and the written consent of City. However, City's obligations shall in no event exceed the City 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 Paseo Nuevo Partners.

4.3 CONDITIONS PRECEDENT TO DISBURSEMENTS. Prior to the disbursement of any City Loan proceeds, Paseo Nuevo Partners shall satisfy or cause to be satisfied all of the conditions listed below:

(a) There exists no default, nor any act, failure, omission or condition that would constitute a default under this Agreement or any of the Loan Documents.

(b) The Loan Documents shall have been recorded against the Site in the lien priority required herein in the Ventura County Recorder's Office.

(c) All of the requirements in Section 3.6(k) shall have been satisfied.

(d) In specific regard to the Second Draw:

(1) Paseo Nuevo Partners shall have provided City with a preliminary tax credit reservation letter from TCAC in connection with the Project.

(2) Paseo Nuevo Partners shall have provided City written evidence reasonably satisfactory to the Director that Paseo Nuevo Partners has secured long-term funding from one or more sources/lenders in a total amount no less than all of the costs to develop and construct the Project as set forth in the City-approved Budget.

(3) Paseo Nuevo Partners shall have completed Relocation of the Site occupants and evidenced compliance with the Relocation Plan and Relocation Laws to the reasonable satisfaction of the Director.

(4) Paseo Nuevo Partners shall have completed demolition and Site clearance to the reasonable satisfaction of the Director.

City, at its option, may terminate this Agreement if any of the conditions precedent set forth above are not satisfied by June 30, 2012. This deadline may be extended by the Director in writing for good cause shown, provided a written request, including a statement of reasons for the time limit extension request is filed with City prior to the expiration date, provided that such extension shall not exceed ninety (90) days.

SECTION 5. PREDEVELOPMENT ACTIVITIES

At the time established in the Schedule of Performance, Paseo Nuevo Partners shall deliver to City the following documents or instruments, accompanied, if specifically requested by City, by an assignment of such document or instrument to City (to the extent applicable), in the form required by City.

5.1 BUDGET. Paseo Nuevo Partners shall submit for the Director's approval a final construction budget and shall promptly inform the Director of any changes in the amount, terms, and/or sources of financing or funding for the Project.

5.2 CONSTRUCTION BOND. If required by a Permitted Mortgagee, Paseo Nuevo Partners shall deliver copies of labor and material bonds and payment and performance bonds, each not less than one hundred percent (100%) of the scheduled cost of construction of the Project and naming City as a dual obligee, together with the Permitted Mortgagee. Said bonds shall be issued by an insurance company which is licensed to do business in California and named in the current list of "Surety Companies Acceptable on Federal Bonds" as published in the Federal Register of the U.S. Treasury Department. City shall consider (but have no obligation to approve) alternate forms of reasonable assurance that the Project will be completed in the manner contemplated by this Loan Agreement, including securing a Letter of Credit, or as otherwise required by the Permitted Mortgagee.

5.3 CONTRACTS AND SUBCONTRACTS. Paseo Nuevo Partners shall deliver to City as they become executed by Paseo Nuevo Partners all professional and the general contractor's construction contracts for services for the Project.

5.4 PLANS AND SPECIFICATIONS. Before Commencement of Construction, Paseo Nuevo Partners shall submit to the appropriate department of the City, for its review and approval, the Plans and Specifications for development of the Project. Paseo Nuevo Partners shall develop the Project in conformance with the Plans and Specifications and any modifications thereto approved by City. Nothing contained herein shall in any way obligate or restrict the City with respect to its review and approval of the Project plans.

5.5 CONSTRUCTION CONTRACT. Before Commencement of Construction, Paseo Nuevo Partners shall deliver to City a construction contract between the Paseo Nuevo Partners and a licensed general contractor, covering all construction required by this Loan Agreement and providing for the withholding from each progress payment of a retention in an amount as required by any Permitted Mortgagee to assure completion of the Project.

5.6 MANAGEMENT PLAN. Paseo Nuevo Partners shall deliver to City the Management Plan required by the Agreement Containing Covenants.

SECTION 6. CONSTRUCTION OF THE DEVELOPMENT

6.1 **CONFIGURATION AND TIMING OF THE DEVELOPMENT.** Paseo Nuevo Partners shall develop the Project in accordance with the Plans and Specifications as approved by City. Paseo Nuevo Partners shall complete construction of all of the Affordable Units and obtain a final certificate of occupancy for the entire Project by no later than thirty-six (36) months after the date of this Loan Agreement.

6.2 **CONSTRUCTION SIGNS.** Prior to the Commencement of Construction, Paseo Nuevo Partners shall provide, at its sole cost, construction site signs identifying the development, and giving recognition to City and for its role in the Project. The design and text of the signs shall be in accordance with City's standard for construction signs, and the sign must be erected on the Site on or before Commencement of Construction of the Improvements.

6.3 **COMMENCEMENT OF CONSTRUCTION.** Paseo Nuevo Partners or Paseo Nuevo Partners' construction contractor shall begin construction of the Project no later than the date specified in the Schedule of Performance. Paseo Nuevo Partners or Paseo Nuevo Partners' construction contractor shall not commence construction until City has issued a written notice to proceed. City shall not be required to issue a notice to proceed until all the predevelopment activities under Section 5 have been met by Paseo Nuevo Partners.

6.4 **COMPLETION OF CONSTRUCTION.** Following Commencement of Construction, Paseo Nuevo Partners or Paseo Nuevo Partners' construction contractor shall diligently prosecute construction of the Project to completion as evidenced by the recording of the Release of Construction Covenants. Paseo Nuevo Partners or Paseo Nuevo Partners' construction contractor shall complete construction of the Project no later than the date specified in the Schedule of Performance.

6.5 **SCHEDULING.** It shall be the responsibility of Paseo Nuevo Partners to coordinate and schedule the work to be performed so that commencement and completion of construction will take place in accordance with the provisions of this Loan Agreement.

6.6 **QUALITY OF WORK.** Paseo Nuevo Partners, shall develop the Project in full conformance with applicable local, state, and federal statutes, regulations, and building and housing codes.

6.7 **ADDITIONS OR CHANGES IN WORK.** The Director 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 the Director must be obtained before any changes, additions, or deletions in work for the Project may be performed, including but not limited to any material change in building materials or equipment, specifications, or the structural or architectural design or appearance of the Project as provided for in the Plans and Specifications. The Director will not withhold or delay its consent to a change order if any Permitted Mortgagee approves the same. Consent to any additions, changes, or deletions to the work shall not relieve or release

Paseo Nuevo Partners from any other obligations in this Loan Agreement and Loan Documents, or relieve or release Paseo Nuevo Partners or its surety from any surety bond.

6.8 RECORDS. Paseo Nuevo Partners shall be accountable to City for all funds disbursed to Paseo Nuevo Partners pursuant to this Loan Agreement and Loan Documents. Paseo Nuevo Partners 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 four (4) years after completion of the Project as evidenced by the recording of a Release of Construction Covenants. Records must be kept accurate and current. City shall notify Paseo Nuevo Partners of any records it deems insufficient. Paseo Nuevo Partners shall have 15 calendar days from the date of said notice to correct any deficiency in the records specified by City in said notice, or, if more than 15 days shall be reasonably necessary to correct the deficiency, Paseo Nuevo Partners shall begin to correct the deficiency within 15 days and correct the deficiency as soon as reasonably possible.

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

6.9 INSPECTIONS. Paseo Nuevo Partners shall permit and facilitate, and require its contractors to permit and facilitate, observation and inspection at the job site by City and by public authorities during reasonable business hours upon prior written notice for the purposes of determining compliance with this Loan Agreement.

6.10 AUDITS. Paseo Nuevo Partners shall make available for examination at reasonable intervals and during normal business hours to City upon prior written notice all books, accounts, reports, files, and other papers or property with respect to all matters covered by this Loan Agreement, and shall permit City to audit, examine, and make excerpts or transcripts from such records. City may make audits of any conditions relating to this Loan.

6.11 CONSTRUCTION RESPONSIBILITIES. Paseo Nuevo Partners shall be solely responsible for all aspects of Paseo Nuevo Partners' conduct in connection with the Project, including, but not limited to, the quality and suitability of the Plans and Specifications, the qualifications, financial condition, and performance of all architects, engineers, contractors, general contractor, suppliers, consultants, and property managers. Any review or inspection undertaken by City with reference to the Project is solely for the purpose of determining whether Paseo Nuevo Partners is properly discharging its obligations to City, and should not be relied upon by Paseo Nuevo Partners or by any third parties as a warranty or representation by City as to the quality of the design or construction of the Project.

6.12 MECHANICS LIENS AND STOP NOTICES. If any claim of lien is filed against the Site or a stop notice affecting the Loan is served on City or any other lender or other third

party in connection with the Project, Paseo Nuevo Partners shall, within 30 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 City a surety bond in sufficient form and amount, or provide City with other assurance satisfactory to City that the claim of lien or stop notice will be paid or discharged.

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

Paseo Nuevo Partners shall file a valid notice of cessation or Notice of Completion upon cessation of construction on the Project for a continuous period of 30 days or more, and take all other reasonable steps to forestall the assertion of claims of lien against the Site. Paseo Nuevo Partners authorizes City, but without any obligation, to record any notices of completion or cessation of labor, or any other notice that City deems necessary or desirable to protect its interest in the Project and Site.

6.13 BARRIERS TO THE DISABLED. The Project shall be developed and the Site shall be maintained, for the duration of the Agreement Containing Covenants, to comply with all applicable federal, state, and local requirements for access for disabled persons.

6.14 LEAD-BASED PAINT. Paseo Nuevo Partners and its contractors and subcontractors shall not use lead-based paint in the construction or maintenance of the Site. Paseo Nuevo Partners shall incorporate or cause to be incorporated this provision in all contracts and subcontracts for work performed on the Project which involves the application of paint.

6.15 RELEASE OF CONSTRUCTION COVENANTS. Upon completion of development of the Project, Paseo Nuevo Partners shall submit a certification from the architect for the Project stating that the Improvements to the Site have been made in accordance with the Plans and Specifications and the terms of this Loan Agreement and Loan Documents. Upon (1) submission of this architect's certification, (2) a determination of final Development Costs, (3) a determination by City that Paseo Nuevo Partners has completed the Project in full conformance with the Plans and Specifications, (4) a determination by City that Paseo Nuevo Partners has satisfied all of Paseo Nuevo Partners' development obligations under this Loan Agreement, including payment of applicable prevailing wages, if any, and (5) and completion of an independent audit of the Development Costs, City shall furnish Paseo Nuevo Partners, within 30 calendar days of a written request by Paseo Nuevo Partners, with a Release of Construction Covenants for the full Project. The Release of Construction Covenants shall be in a recordable form acceptable to City. If City fails to provide the Release of Construction Covenants within the specified time, it shall provide Paseo Nuevo Partners with a written statement indicating in

what respects Paseo Nuevo Partners has failed to complete 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 Paseo Nuevo Partners will need to take or what standards it will need to meet in order to obtain the Release of Construction Covenants. If and when Paseo Nuevo Partners has taken the specified measures or met the specified standards, and is not otherwise in violation under this Loan Agreement or Loan Documents, City shall deliver the Release of Construction Covenants to Paseo Nuevo Partners.

Such Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of the Paseo Nuevo Partners to any holder of a mortgage or any insurer of a mortgage securing money loaned to finance the improvements or any part thereof. Such Release of Construction Covenants is not a notice of completion as referred to in California Civil Code Section 3093.

6.16 FEES, TAXES, AND OTHER LEVIES. Paseo Nuevo Partners shall pay before they become delinquent all taxes, assessments, fees, levies or charges levied against or on account of the Site or Project and shall pay as due all claims for work done on or for services rendered or material furnished to the Site. In the event that Paseo Nuevo Partners wishes to contest the legality of any such charge, Paseo Nuevo Partners shall pay under protest the charge or bond over the same (in an amount 1½ times the amount of such claim item to protect against a claim of lien) prior to delinquency in order to prevent any involuntary lien on the Site.

6.17 DAMAGE TO THE PROJECT. If any building or improvements erected by Paseo Nuevo Partners on the Site is damaged or destroyed by an insurable cause, Paseo Nuevo Partners 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 120 days after the damage or loss occurs and shall be complete within one year thereafter or, if the work or repair is such that it is not reasonably capable of completion within one year, shall be performed by Paseo Nuevo Partners diligently and in good faith for such addition period of time as reasonably necessary for the completion thereof. 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, Paseo Nuevo Partners shall make up the deficiency. Paseo Nuevo Partners shall not, by agreement or otherwise, permit any other party or lender to use insurance proceeds in a manner inconsistent with the terms of this Loan Agreement.

6.18 RELOCATION.

(a) All right(s) to possession of all portions of the Site necessary for construction and operation of the Project shall be cleared by Paseo Nuevo Partners at its sole cost and expense, in accordance with the adopted Relocation Plan approved by City concurrent herewith. The relocation of any occupants or businesses, if any, required for construction and operation of the Project, including provisions of relocation assistance and benefits pursuant to Relocation Laws, shall be the sole financial responsibility of Paseo Nuevo Partners. Relocation

obligations, if any, which arise from the Project shall be administered by a qualified relocation consultant chosen by Paseo Nuevo Partners and approved by City, in conformity with the Relocation Laws, with such administration paid by Paseo Nuevo Partners.

(b) All of the cost and expenses incurred or to be incurred by Paseo Nuevo Partners to cause the vacating of the Site and/or relocation of all occupants and businesses therefrom for construction and operation of the Project (including, without limitation, payments made to displaced persons and businesses, pre- or post-relocation rental payments, fees and actual expenses of attorneys, relocation consultants and other experts employed to effect the relocation of occupants and businesses, etc.) shall be the sole financial responsibility of Paseo Nuevo Partners. Any costs arising related in any respect to such displacement, such as, but without limitation, claims for loss of business goodwill, payment for furniture, fixtures and equipment, payment for leasehold bonus value, and any other compensable interest under Relocation Laws shall be the sole financial responsibility of Paseo Nuevo Partners, and reviewed by City (or its designee).

(c) Paseo Nuevo Partners hereby covenants and agrees to indemnify, save, protect, hold harmless, pay for and defend Commission and City and their respective elected officials, officers, employees, agents, consultants, contractors, attorneys and representatives (collectively, the "Indemnified Parties") from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses, including, without limitation, reasonable consultants' and reasonable attorneys' fees, or relocation benefits claimed or payable under the Relocations Laws which may now or in the future be incurred or suffered by Commission or City or the Indemnified Parties by reason of, or resulting from, in full or in part, or in any respect whatsoever from the displacement of businesses or other occupants of the Site. The foregoing indemnity shall survive termination of this Agreement, shall continue after a Release of Construction Covenants, and shall not be merged with any other document.

SECTION 7. LABOR AND EMPLOYMENT REQUIREMENTS

7.1 **EQUAL EMPLOYMENT OPPORTUNITY.** Paseo Nuevo Partners, for itself and its successors and assigns agrees that in the construction of the improvements on the Site provided for in this Loan Agreement:

(a) Paseo Nuevo Partners will not discriminate against any employee or applicant for employment because of race, color, religion, national origin, sex, age, disability (actual or perceived), marital status, familial status, sexual orientation/preference, creed source of income, ancestry, medical condition, Acquired Immune Deficiency Syndrome (AIDS), acquired or perceived, or retaliation for having filed a discrimination complaint. Paseo Nuevo Partners will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, national origin, sex, age, disability (actual or perceived), marital status, sexual orientation/preference, creed, source of income, ancestry, medical condition, Acquired Immune Deficiency Syndrome (AIDS), acquired

or perceived, or retaliation for having filed a discrimination complaint. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Paseo Nuevo Partners agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by City setting forth the provisions of this nondiscrimination clause.

(b) Paseo Nuevo Partners will, in all solicitations or advertisements for employees placed by or on behalf of Paseo Nuevo Partners, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, national origin, sex, age, disability (actual or perceived), marital status, familial status, sexual orientation/preference, creed, source of income, ancestry, medical condition, Acquired Immune Deficiency Syndrome (AIDS), acquired or perceived, or retaliation for having filed a discrimination complaint.

(c) Paseo Nuevo Partners will cause the foregoing provisions to be inserted in all contracts for any work covered by this Loan Agreement so that such provisions will be binding upon each contractor and subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

(d) Paseo Nuevo Partners and any contractors, subcontractors, and professional service providers for the Project shall comply with all requirements concerning equal employment opportunity and shall incorporate such provisions in all construction contracts, professional services contracts, and subcontracts for work on the Project.

7.2 PROJECT CONSTRUCTION.

(a) Before Commencement of Construction of any portion of the Project, Paseo Nuevo Partners shall obtain or cause to be obtained any and all permits which may be required by the City or any other governmental agencies affected by such construction, development, or work. Paseo Nuevo Partners shall obtain all zone changes, permits, licenses and other approvals that may be necessary in order to legally proceed with the Project. Nothing in this Agreement shall be construed to require or obligate the City to approve any zone changes, to issue any conditional use permits, to issue any building permits, or other permits, to approve any tentative or final maps regarding the Project, or to give or issue any other approvals regarding the Project. Any application by Paseo Nuevo Partners for any such permits and/or approvals shall be processed as any other applications for similar permits or approvals are processed under applicable laws.

(b) Paseo Nuevo Partners shall provide or enter into a contract with a licensed general contractor to provide all construction management for the Project, including design development, bid solicitation, contract award, construction supervision and all other usual and customary services of a general contractor.

(c) Work on the Project shall be performed by contractors, licensed under the laws of the State of California, as Paseo Nuevo Partners may employ from time to execute such

work. All work shall be performed in a workmanlike and quality fashion, free of encumbrances and liens, in full compliance with all applicable requirements of the Uniform Building Code and the Oxnard City Code. In addition to all other obligations of Paseo Nuevo Partners as set forth in this Agreement, Paseo Nuevo Partners shall seek and obtain all necessary governmental approvals for the Project and shall pay all permit application fees and development exactions then prescribed by local ordinance or resolution at the time of submittal, unless such fees or exactions are waived by City. Nothing herein excuses compliance by Paseo Nuevo Partners with any or all ordinances, resolutions, or development procedures or standards in connection with development of the Project. Paseo Nuevo Partners shall comply with all applicable labor laws and laws requiring the payment of prevailing wages or Davis Bacon Act wages.

(d) Paseo Nuevo Partners shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which Paseo Nuevo Partners or its agents, or both, perform the services required of it by the terms of this Agreement for the development of the Project. Paseo Nuevo Partners has and hereby retains the right to exercise full control of employment, direction, compensation and discharge of all persons assisting in the performance of services hereunder. In regard to the development of the Project, Paseo Nuevo Partners acknowledges and agrees to be solely responsible for all matters relating to payment of its employees, including wage laws, compliance with Social Security, withholding and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters relating to their employees, and Paseo Nuevo Partners agrees to be solely responsible for its own acts and those of its agents and employees.

(e) Paseo Nuevo Partners shall carry out development and cause construction (as defined by applicable law) of the Project on the Site, including, without limitation, any and all public works, (as defined by applicable law), if any, in conformity with all applicable local, state and federal laws, including, without limitation, all applicable federal and state labor laws (including, without limitation, any applicable requirement to pay state prevailing wages). Paseo Nuevo Partners hereby agrees that Paseo Nuevo Partners shall have the obligation to provide any and all disclosures, representations, statements, rebidding, and/or identifications which may be required by California Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Paseo Nuevo Partners hereby agrees that Paseo Nuevo Partners shall have the obligation to provide and maintain (or cause its general contractor to provide and maintain) any and all bonds to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the California Civil Code, California Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Paseo Nuevo Partners shall indemnify, protect, defend and hold harmless Commission, City and their respective officers, employees, contractors and agents, with counsel reasonably acceptable to Commission and City, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including labor costs, penalties, reasonable attorneys fees, court and litigation costs and fees of expert witnesses) which, in connection with the development and/or construction (as defined by applicable law) of the Project, including, without limitation, any and

all public works (if any) (as defined by applicable law) results or arises in any way from any of the following: (i) the noncompliance by Paseo Nuevo Partners of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state prevailing wages), (ii) the implementation of Chapter 804, Statutes of 2003, (iii) the implementation of Sections 1726 and 1781 of the California Labor Code, as the same may be enacted, adopted or amended from time to time, or any other similar law, (iv) failure by Paseo Nuevo Partners to provide any required disclosure representation, statement, rebidding and/or identification which may be required by California Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law and/or (v) failure by Paseo Nuevo Partners to provide and maintain any and all bonds to secure the payment of contractors (including the payment of wages to workers performing any public work) which may be required by the California Civil Code, California Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time, or any other provision of law. Paseo Nuevo Partners hereby expressly acknowledges and agrees that neither City nor Commission has ever previously affirmatively represented to Paseo Nuevo Partners or its contractor(s) for the Project in writing or otherwise, that the work to be covered by the bid or contract is not a "public work," as defined in Section 1720 of the California Labor Code. It is agreed by the parties hereto that, in connection with the development and construction (as defined by applicable law) of the Project, including, without limitation, any public work (as defined by applicable law), if any, Paseo Nuevo Partners shall bear all risks of payment or non-payment of state prevailing wages and/or the implementation of Chapter 804, Statutes of 2003 and/or California Labor Code Sections 1726 and 1781, as the same may be enacted, adopted or amended from time to time, and/or any other provision of law. "Increased costs" as used in this Section shall have the meaning ascribed to it in California Labor Code Section 1781, as the same may be enacted, adopted or amended from time to time. The foregoing indemnity shall survive termination of this Agreement, shall continue after issuance of a Release of Construction Covenants and shall not be merged with any other document.

7.3 GENERAL INFORMATION

(a) During the construction of the Site, Paseo Nuevo Partners shall provide to City such information and documentation as reasonably requested by City.

(b) Paseo Nuevo Partners shall monitor and enforce the affirmative action and equal opportunity requirements imposed by this Loan Agreement. In the event Paseo Nuevo Partners fails to monitor or enforce these requirements City may declare Paseo Nuevo Partners in default of this Loan Agreement and pursue any of the remedies available under this Loan Agreement.

(c) As requested, City shall provide such technical assistance necessary to implement this Section 7.

SECTION 8. OPERATION OF DEVELOPMENT

8.1 OPERATION OF DEVELOPMENT. Paseo Nuevo Partners and Paseo Nuevo Partners' agents shall lease, operate and manage the Project after completion of construction in full conformance with the terms of the Agreement Containing Covenants.

8.2 LEASING THE DEVELOPMENT. Before leasing any portion of the Project, Paseo Nuevo Partners shall submit its proposed form of lease for City's review and approval.

8.3 TENANT SELECTION. Before leasing the Project, Paseo Nuevo Partners must obtain City's approval of Paseo Nuevo Partners' written tenant selection plan.

8.4 INCOME CERTIFICATION. Paseo Nuevo Partners must determine the income eligibility of each tenant household pursuant City's approved tenant certification procedures and submit satisfactory documentation consistent with the California Health and Safety Code to the Director for review and approval prior to the household's occupancy of one of the Project's units. Paseo Nuevo Partners shall certify each tenant household's income on an annual basis.

8.5 AFFORDABILITY RESTRICTIONS. The affordability of the Project shall be maintained for a minimum of fifty-five (55) years from the date of the issuance of a final certificate of occupancy for the entire Project.

8.6 MAXIMUM RENTAL CHARGES. The total monthly charges for rent, utilities, and related services to each: (a) Very-Low-Income Household shall not exceed one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of median income for the Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area as determined by HCD, adjusted for family size; (b) Low-Income Household shall not exceed one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of median income for the Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area as determined by HCD, adjusted for family size; and (c) Moderate-Income Households shall not exceed one-twelfth (1/12) of thirty percent (30%) of one hundred ten percent (110%) of median income for the Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area as determined by HCD, adjusted for family size. Annual rent increases shall be calculated by City based on the percentage change in the Area Median Income as determined and published annually by HCD. Notwithstanding anything to the contrary, at no point in time shall the above-mentioned rental rates be more than the maximum affordable rent defined in California Health and Safety Code Section 50053, as may be amended from time to time.

8.7 NONDISCRIMINATION. There shall be no discrimination against or segregation of any person, or groups of persons, on account of sex, marital status, race, color, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or the Project, and Paseo Nuevo Partners, for itself and any person claiming under or through it, shall not 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 of the Site or the Project.

8.8 FORM OF NONDISCRIMINATION AND NONSEGREGATION CLAUSES. As a material part of the consideration for this Agreement, Paseo Nuevo Partners covenants and agrees, for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof, that Paseo Nuevo Partners shall refrain from restricting the rental, sale or lease of the Site, or any portion thereof, on the basis of sex, marital status, race, color, religion, creed, ancestry or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

Notwithstanding the above paragraph, with respect to familial status, the above paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in the above paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall also apply to the above paragraph.

(b) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

Notwithstanding the above paragraph, with respect to familial status, the above paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in

the above paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the California Government Code shall apply to the above paragraph.'

(c) In contracts: The foregoing provisions shall be binding upon and shall obligate the contracting party or parties and any subcontracting party or parties, or other transferees under this Agreement.

8.9 RESERVED

8.10 ASSIGNMENTS AND TRANSFERS (EXCEPT PERMITTED MORTGAGES)

(a) Paseo Nuevo Partners represents and agrees that its undertakings pursuant to this Agreement are for the purpose of redevelopment of the Site and not for speculation in land holding. Paseo Nuevo Partners further recognizes that the qualifications and identity of Paseo Nuevo Partners and its principals are of particular concern to the City, in view of: (i) the importance of the redevelopment of the Site to the general welfare of the community, (ii) the public assistance that has been made available by law and by the government for the purpose of making such redevelopment possible and (iii) the fact that a change in ownership or control of Paseo Nuevo Partners or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in ownership or control of Paseo Nuevo Partners or the degree thereof, is for practical purposes a transfer or disposition of the property then owned by Paseo Nuevo Partners. Paseo Nuevo Partners further recognizes that it is because of such qualifications and identity that City is entering into this Agreement with Paseo Nuevo Partners. Therefore, no voluntary or involuntary successor in interest of Paseo Nuevo Partners shall acquire any rights or powers under this Agreement except as expressly set forth in this Agreement.

(b) Prior to the recordation of the Release of Construction Covenants and reconveyance in full of the Deeds of Trust, Paseo Nuevo Partners shall not make any assignment, sale, lease, conveyance or other transfer (collectively, a "Transfer") of the Site and/or Improvements or any portion thereof or interest therein and/or this Agreement, or any interest herein, without the prior written approval of City.

(c) Any Transfer shall be evidenced by Paseo Nuevo Partners', the assignee's, and City's execution of an assignment and assumption agreement in form and content acceptable to the City whereby the assignee expressly assumes the rights and obligations thereby transferred and to keep and perform all covenants, conditions and provisions of this Agreement and the Loan Documents.

(d) Paseo Nuevo Partners represents and agrees for itself and any successor in interest that prior to the recordation of the Release of Construction Covenants and reconveyance in full of the Deeds of Trust, unless the prior written approval of City is obtained, there shall be no significant change in the ownership or control of Paseo Nuevo Partners or with respect to the identity of the parties in control of Paseo Nuevo Partners, by any method or means.

(e) Prior to the recordation of the Release of Construction Covenants and reconveyance in full of the Deeds of Trust, Paseo Nuevo Partners shall promptly notify City of any and all changes whatsoever in the identity of the parties in control of Paseo Nuevo Partners, or the degree thereof, of which it or any of its officers have been notified or otherwise have knowledge or information. This Agreement may be terminated by City if there is any significant change (voluntary or involuntary) in membership, management or control, of Paseo Nuevo Partners, or the persons in control of Paseo Nuevo Partners prior to the recordation of the Release of Construction Covenants and reconveyance in full of the Deeds of Trust in violation of this Agreement.

(f) For purposes of this Section, a significant change shall mean any change in the identity of the Person or entity having ownership or control of Paseo Nuevo Partners and/or the activities and construction of the Project contemplated by this Agreement.

(g) Consent by City to one or more Transfers of this Agreement shall not operate as a waiver or estoppel to the future enforcement by City of its rights pursuant to the provisions of this Agreement.

(h) If, in violation of this Agreement, there is Transfer or change in the management or control of Paseo Nuevo Partners, then such action shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Paseo Nuevo Partners under such a Transfer shall acquire any rights pursuant to this Agreement. City may take such reasonable action as City may deem appropriate to ensure that the purposes of this Agreement will be carried out, including, without limiting the generality of the foregoing, terminating this Agreement and exercising any rights set forth in the Loan Documents.

(i) No Transfer of this Agreement or the Site or the Improvements (or any portion thereof or interest therein), or approval by City of any such Transfer shall be deemed to relieve Paseo Nuevo Partners or any other party from any obligations under this Agreement unless City provides a specific written agreement of release.

(j) In the event that Paseo Nuevo Partners requests City's written consent to a proposed Transfer, Paseo Nuevo Partners agrees to provide City with such information, including, without limitation, financial statements, as City may reasonably require in order to evaluate the Transfer including, without limitation, the solvency, financial responsibility and relevant business acumen and experience of any proposed transferee. Such information shall include, without limitation, a balance sheet of the proposed transferee as of a date within 90 days of the request for City's consent and statements of income or profit and loss of the proposed transferee for the 2-year period preceding the request for City's consent, if the same are available (or such other similar information as shall be available at the time the request for approval of the Action is made), a written statement in reasonable detail as to the business and experience of the proposed transferee during the 10 years preceding the request for City's consent, any entity formation agreements and documents (or changes therein), the agreements and documents effectuating any Transfer.

(k) Notwithstanding the foregoing, the transfer by the "Investor Limited Partner" or the "Special Limited Partner" (as such terms are defined in Paseo Nuevo Partners' partnership agreement) of its partnership interests in Paseo Nuevo Partners to any other entity is hereby expressly permitted under this Loan Agreement so long as the transfer is authorized and consistent with the terms of the partnership agreement.

(l) Notwithstanding the foregoing, the withdrawal, removal, and/or replacement of Paseo Nuevo Partners' general partner(s) for cause in accordance with Paseo Nuevo Partners' partnership agreement shall not constitute a default under this Agreement.

SECTION 9. INDEMNITY AND INSURANCE

9.1 INDEMNITY. As a material part of the consideration for this Agreement, and to the maximum extent permitted by law, Paseo Nuevo Partners agrees to and shall defend, indemnify, protect and hold harmless Commission, City and their respective officials, officers, employees, agents, consultants, contractors and attorneys (collectively, the "Indemnified Parties") from and against any and all loss, liability, damage, claims, costs and expenses (including reasonable attorneys' fees, court and litigation costs and fees of expert witnesses) resulting or arising from or in any way connected to any of the following, provided, however, that Paseo Nuevo Partners shall not be responsible to the extent of (and such indemnity shall not apply to) any gross negligence or willful misconduct of the Commission, City or Indemnified Parties:

(a) Paseo Nuevo Partners' pre-development, development, construction, use, maintenance, marketing, sale, ownership or operation of the Site in any way;

(b) The existence, release, presence or disposal on, in, under, about or adjacent to the Site of any Hazardous Materials;

(c) Any plans or designs for the development of the Project prepared by or on behalf of Paseo Nuevo Partners, including without limitation any errors or omissions with respect to such plans or designs;

(d) The death of any person or any accident, injury, loss or damage whatsoever caused to any person or the property of any person which shall occur on the Site, or in connection with the activities of the Paseo Nuevo Partners under this Agreement;

(e) Any loss or damage to Commission, City and/or Indemnified Parties resulting from any inaccuracy in or breach of any representation or warranty of Paseo Nuevo Partners, or resulting from any breach or default by Paseo Nuevo Partners under this Agreement.

The foregoing indemnity shall survive termination of this Agreement, shall continue after issuance of a Release of Construction Covenants and shall not be merged with any other document.

9.2 INSURANCE COVERAGE.

(a) Scope of Coverage. Within the time set forth in Section 3.6(k)(7) above, Paseo Nuevo Partners shall furnish or cause to be furnished to City's Risk Manager evidence of the following policies of insurance (documented on forms acceptable to City's Risk Manager), naming Paseo Nuevo Partners as insured and Commission and City as additional insureds. The insurance shall be kept in force during any period of construction:

(1) Builder's Risk/Fire Policies. Paseo Nuevo Partners shall maintain or cause to be maintained a policy or policies of insurance against loss or damage to the Site and/or the improvements and all property of an insurable nature located upon the Site, resulting from fire, lightning, vandalism, malicious mischief, riot and civil commotion, and such other perils ordinarily included in extended coverage fire insurance policies (but not earthquake coverage). Such insurance shall be maintained in an amount not less than 100% of the full insurable value of the improvements, as defined herein.

(2) Liability Insurance. Paseo Nuevo Partners shall maintain or cause to be maintained public liability insurance, to protect against loss from liability imposed by law for damages on account of personal injury, including death therefrom, suffered or alleged to be suffered by any person or persons whomsoever on or about the Site and the business of Paseo Nuevo Partners on the Site, or in connection with the operation thereof, resulting directly or indirectly from any acts or activities of Paseo Nuevo Partners, or any person acting for Paseo Nuevo Partners, or under its control or direction, and also to protect against loss from liability imposed by law for damages to any property of any person occurring on or about the Site, or in connection with the operation thereof, caused directly or indirectly by or from acts or activities of Paseo Nuevo Partners, or any person acting for Paseo Nuevo Partners, or under its control or direction. Such property damage and personal injury insurance shall also provide for and protect Commission and City against incurring any legal cost in defending claims for alleged loss. Such personal injury and property damage insurance shall be maintained in a general aggregate amount of not less than \$2,000,000, combined single limit per occurrence. Paseo Nuevo Partners agrees that provisions of this paragraph as to maintenance of insurance shall not be construed as limiting in any way the extent to which Paseo Nuevo Partners may be held responsible for indemnification hereunder or the payment of damages to persons or property resulting from Paseo Nuevo Partners' activities, or the activities of any other person or persons for which Paseo Nuevo Partners is otherwise responsible.

(3) Automobile Insurance. To the extent applicable, at all times during period of construction, Paseo Nuevo Partners shall maintain or cause to be maintained automobile insurance, maintained in full force and effect in an amount of not less than \$1,000,000 per accident.

(4) Workers' Compensation Insurance. Paseo Nuevo Partners shall maintain or cause to be maintained workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the workers' compensation laws now in force in California, or any laws hereafter enacted as an amendment or supplement thereto or in lieu thereof. Such workers'

compensation insurance shall cover all persons employed by Paseo Nuevo Partners in connection with the Site and shall cover liability within statutory limits for compensation under any such act aforesaid, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death in connection with the Site or the operation thereof by Paseo Nuevo Partners. Notwithstanding the foregoing, Paseo Nuevo Partners may, in compliance with the laws of the State of California and in lieu of maintaining such insurance, self-insure for workers' compensation in which event shall deliver to City evidence that such self-insurance has been approved by the appropriate State authorities.

(b) Terms and Conditions. All policies hereunder shall not be subject to cancellation, reduction in coverage, or non renewal except after notice in writing shall have been sent by registered mail addressed to City, to the extent practicable within 30 days but in any event prior to the effective date thereof. All policies shall name Commission, City and Paseo Nuevo Partners as insureds, additional insureds, and/or loss payable parties as their interests may appear.

(1) The term "full insurable value" as used in this Section 9.2 shall mean the actual replacement cost (excluding the cost of excavation, foundation and footings below the lowest floor and without deduction for depreciation) of the improvements on the Site immediately before such casualty or other loss, including the cost of construction, architectural and engineering fees, and inspection and supervision. To ascertain the amount of coverage required, Paseo Nuevo Partners shall cause the full insurable value to be determined from time to time by appraisal by the insurer, by agreement between Paseo Nuevo Partners and City or by an appraiser mutually acceptable to Commission, City and Paseo Nuevo Partners, not less often than once every five years, if requested by City or Commission.

(2) All insurance provided under this Section 9.2 shall be for the benefit of Paseo Nuevo Partners, Commission and City. Paseo Nuevo Partners agrees to timely pay all premiums for such insurance and, at its sole cost and expense, to comply and secure compliance with all insurance requirements necessary for the maintenance of such insurance. Paseo Nuevo Partners agrees to submit policies of all insurance required by this Section 9.2, or certificates evidencing the existence thereof, to City within 30 days prior to Loan Closing, indicating full coverage of the contractual liability imposed hereby. Within 30 days, if practicable, but in any event prior to expiration of any such policy, copies of renewal policies or certificates evidencing the existence thereof, shall be submitted to City. All insurance herein provided for under this Section 9.2 shall be effected under policies issued by insurers of recognized responsibility, licensed or permitted to do business in the State of California and reasonably approved by City.

(3) If Paseo Nuevo Partners fails or refuses to procure or maintain insurance as required by this Agreement, then Commission and City shall each have the right, at their election, and upon 5-days prior notice to Paseo Nuevo Partners, to procure and maintain such insurance. The premiums paid by City or Commission shall be treated as a loan, due from Paseo Nuevo Partners, to be paid on the first day of the month following the date on which the premiums were paid and shall in accordance with California Civil Code Section 2881 be a lien on the Site until paid. Any such lien shall be subordinate and subject to Permitted Mortgages.

(4) Coverage provided hereunder by Paseo Nuevo Partners shall be primary insurance and not contributing with any insurance maintained by City and/or Commission, and the policy shall contain such an endorsement. The insurance policy or the certificate of insurance shall contain a waiver of subrogation for the benefit of City and Commission.

(5) Paseo Nuevo Partners shall also furnish or cause to be furnished to the Director evidence satisfactory to the Director that any contractor with whom Paseo Nuevo Partners has contracted for the performance of the development of the Project, or any of them, carries the insurance required by this Section.

9.3 **INSURANCE ADVANCES.** In the event Paseo Nuevo Partners fails to maintain the full insurance coverage required by this Loan Agreement, City, after at least seven (7) Business Days prior notice to Paseo Nuevo Partners, 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 City, together with interest thereon from the date of such advance at the same rate of indebtedness as specified in the Notes (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 Paseo Nuevo Partners to City and shall be secured by the City Deed of Trust.

9.4 **NON-LIABILITY OF OFFICIALS, EMPLOYEES AND AGENTS.** City's individual officials, employees and agents shall not be personally liable to Paseo Nuevo Partners for any obligation created under the terms of this Loan Agreement and Loan Documents.

SECTION 10. HAZARDOUS MATERIALS

10.1 **REPRESENTATIONS AND WARRANTIES.** Paseo Nuevo Partners hereby represents and warrants its actual knowledge, as of the date of this Loan Agreement, that (a) the Site is not and has not been a site for the use, generation, manufacture, transportation, storage, or disposal of Hazardous Materials; (b) the Site 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 soil and groundwater conditions ("Hazardous Materials Laws"); (c) there are no claims or actions pending or threatened with respect to the Site 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 or under the Site (including in the soil, surface water, or groundwater under the Site) or any other occurrences or conditions on the Site that could cause the Site 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.

10.2 **NOTIFICATION TO CITY.** Paseo Nuevo Partners shall promptly notify City in writing of any of the following: (a) the discovery of any concentration or amount of Hazardous Materials on or under the Site; (b) any knowledge by Paseo Nuevo Partners that the Site does not comply with any Hazardous Materials Laws; (c) the receipt by Paseo Nuevo Partners of written

notice of any Hazardous Materials claims; (d) the discovery by Paseo Nuevo Partners of any occurrence or condition on the Site or on any real property located in the vicinity of the Site that could cause the Site 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; and (e) any knowledge by Paseo Nuevo Partners of any pending claims based on any Hazardous Material Laws in connection with the Site.

10.3 USE AND OPERATION OF SITE. Neither Paseo Nuevo Partners, nor any agent, employee, or contractor of Paseo Nuevo Partners, nor any authorized user of the Site shall use the Site or allow the Site to be used for the generation, manufacture, storage, disposal, or release of Hazardous Materials. Paseo Nuevo Partners shall comply and cause the Project to comply with Hazardous Materials Laws.

10.4 REMEDIAL ACTIONS. If Paseo Nuevo Partners has actual knowledge of the presence of any Hazardous Materials on or under the Site, Paseo Nuevo Partners shall promptly take, at no cost or expense to City, 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 requirements of any governmental entity or agency or any judgment, consent decree, settlement or compromise with respect to any Hazardous Materials claims.

10.5 ENVIRONMENTAL INDEMNITY. Paseo Nuevo Partners shall defend, indemnify, and hold the Indemnified Parties free and harmless against any claims, demands, administrative actions, litigation, liabilities, losses, damages, response costs, and penalties, including all costs of legal proceedings and attorney's fees, that the Indemnified Parties 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 Paseo Nuevo Partners knew of same) of any Hazardous Materials occurring prior to or during Paseo Nuevo Partners' ownership, use or occupancy of the Site, except to the extent of any such use, generation, manufacture, storage, release, or disposal of any Hazardous Materials by the Indemnified Parties, or any of them.

SECTION 11. DEFAULT AND REMEDIES

11.1 RESERVED.

11.2 NOTICE OF DEFAULT AND OPPORTUNITY TO CURE. For defaults under this Agreement, the complaining party shall give written notice of default to the party in default. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Except as otherwise expressly provided in this Loan Agreement, any failures or delays by either party hereto in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by either party hereto in asserting any of its rights and remedies shall not deprive either party hereto of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

(a) Monetary Event. If a monetary event of default occurs, then prior to exercising any remedies hereunder, the aggrieved party shall give the party in default written notice of such default. The party in default shall have a period of ten (10) days after such notice is given within which to cure the default.

(b) Non-Monetary Event. If a non-monetary event of default occurs, then prior to exercising any remedies hereunder, the aggrieved party shall give the party in default notice of such default. If the default is reasonably capable of being cured within thirty (30) days, the party in default shall have such period to effect a cure prior to exercise of remedies by the aggrieved party. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and the party in default (i) initiates corrective action within said period and (ii) diligently, continually, and in good faith works to effect a cure as soon as possible, then the party in default shall have such additional time as is reasonably necessary to cure the default, but no longer than ninety (90) days or shorter period of time if City's rights become or are about to become materially jeopardized by any failure to cure a default or the default.

11.3 CITY'S REMEDIES. Upon the happening of a default by Paseo Nuevo Partners and a failure to cure said default within the applicable cure period, City's obligation to disburse Loan proceeds shall terminate, and City may also, in addition to other rights and remedies permitted by this Loan Agreement and Loan Documents or applicable law, proceed with any or all of the following remedies in any order or combination City may choose in its sole discretion:

(a) Terminate this Loan Agreement, in which event the entire principal amount outstanding and all accrued interest under the Notes, as well as any other monies advanced to Paseo Nuevo Partners by City under this Loan Agreement and Loan Documents including administrative costs, shall immediately become due and payable at the option of City;

(b) Bring an action in equitable relief (1) seeking the specific performance by Paseo Nuevo Partners of the terms and conditions of this Loan Agreement and Loan Documents, and/or (2) enjoining, abating, or preventing any violation of said terms and conditions, and/or (3) seeking declaratory relief;

(c) Accelerate the Loan, and demand immediate full payment of the principal amount outstanding and all accrued interest under the Notes, as well as any other monies advanced to Paseo Nuevo Partners by City under this Loan Agreement and Loan Documents;

(d) Enter the Site 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 City's right at any time to discontinue work without liability), and (3) taking any remedial actions with respect to Hazardous Materials that City deems necessary to comply with Hazardous Materials Laws or to render the Site suitable for occupancy;

(e) Seek appointment from a court of competent jurisdiction of a receiver with the authority to complete construction as needed to preserve City'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 City or the receiver deems necessary to comply with Hazardous Materials Laws or to render the Site suitable for occupancy);

(f) Order immediate stoppage of construction and demand that any condition leading to the default be corrected before construction may continue;

(g) Disburse from Loan proceeds any amount necessary to cure any monetary default;

(h) Enter upon, take possession of, and manage the Site, 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 Deeds of Trust and apply them to operate the Site or to pay off the Loan or any advances made under this Loan Agreement and Loan Documents, as provided for by the Deeds of Trust;

(i) With respect to obligations set forth in this Loan Agreement and Loan Documents, initiate and pursue any private and/or judicial foreclosure action allowed under applicable law and the power of sale provision in the Deeds of Trust;

(j) With respect to obligations set forth in the Agreement Containing Covenants, which is attached to the Loan Agreement as Exhibit H, initiate and pursue any legal action including without limitation an action for specific performance;

(k) 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;

(l) With respect to defaults by Paseo Nuevo Partners under another loan obligation, advance funds to cure such default on behalf of Paseo Nuevo Partners, with any amount so advanced by City, together with interest thereon from the date of such advance at the maximum rate specified in the Notes, becoming an additional obligation of Paseo Nuevo Partners to City secured by the Deeds of Trust;

(m) Pursue any other remedy allowed at law or in equity.

Nothing in this section is intended or shall be construed as precluding City from proceeding with a non-judicial foreclosure under the power of sale contained in the Deeds of in the event of a default by Paseo Nuevo Partners. City's delay or failure to pursue any remedy above does not constitute a waiver of the right to pursue that remedy.

SECTION 12. GENERAL PROVISIONS

12.1 PASEO NUEVO PARTNERS' WARRANTIES. Paseo Nuevo Partners represents and warrants (1) that it is financially capable and has access to professional advice and support to the extent necessary to enable Paseo Nuevo Partners to fully comply with the terms of this Loan Agreement and Loan Documents, and to otherwise carry out the Project, (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 this Loan Agreement and Loan Documents, and (4) that the persons executing and delivering these documents are authorized to execute and deliver such documents on behalf of Paseo Nuevo Partners.

12.2 MONITORING AND EVALUATION. Paseo Nuevo Partners shall maintain and submit records to City within ten days following City's request which clearly document Paseo Nuevo Partners' performance under each requirement of the Loan Documents.

12.3 CONFLICTS OF INTEREST. No member, official or employee of City shall have any personal interest, direct or indirect, in this Loan Agreement nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is, directly or indirectly, interested.

12.4 POLITICAL ACTIVITY. None of the funds, materials, property or services contributed by City or Paseo Nuevo Partners under this Loan Agreement shall be used for any partisan political activity or the election or defeat of any candidate for public office.

12.5 PUBLICITY. Any publicity generated by Paseo Nuevo Partners for the Project during the term of this Loan and for one year thereafter shall make reference to the contribution of City in making the Project possible. The words "Oxnard Community Development City" 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. Paseo Nuevo Partners further agrees to cooperate with authorized staff and officials of City in any City-generated publicity or promotional activities undertaken with respect to the Project.

12.6 TERM OF THIS AGREEMENT. This Loan Agreement shall commence on the date set forth above and remain in full force and effect throughout the longer of the term of the Loan or the Agreement Containing Covenants.

12.7 INSTITUTION OF LEGAL ACTIONS. Subject to the notice and cure provisions of Section 11.2, in addition to any other rights or remedies, either party hereto may institute legal action to cure, correct or remedy any default, to obtain the specific performance of obligations hereunder to enjoin, abate or prevent any further violation or default, to appoint a receiver to operate the Project, to require Paseo Nuevo Partners to return any rent amounts received by Paseo Nuevo Partners in excess of the amounts permitted hereunder, to recover damages for any

default or to obtain any other remedy available at law or in equity consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of Ventura County, State of California, in any other appropriate court of that county, or in the United States District Court for the Central District of California.

12.8 GOVERNING LAW. This Loan Agreement and Loan Documents shall be interpreted under and be governed by the laws of the State of California.

12.9 STATUTORY REFERENCES. All references in this Loan Agreement and Loan Documents to particular statutes, regulations, ordinances, or resolutions of the United States, the State of California, or the City 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.

12.10 TIME. Time is of the essence in this Loan Agreement and Loan Documents.

12.11 UNAVOIDABLE DELAY IN PERFORMANCE. The time for performance of non-monetary 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 beyond the reasonable control of either party, is not the fault of such party and is caused by: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of a public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; or unseasonable weather conditions. Any financial inability to perform on the part of Paseo Nuevo Partners shall not constitute an unavoidable delay for the purpose of this Loan Agreement, and no extension shall be available therefore. An extension of time for any of the above-specified causes will be deemed granted only if written notice by the party claiming such extension is sent to the other party within twenty (20) calendar days from the commencement of the delay, 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.

12.12 CONSENTS AND APPROVALS. Any approval required under this Loan Agreement and Loan Documents shall be in writing and executed by an authorized representative of the party granting the approval. Nothing contained in this Loan Agreement or Loan Documents shall constitute consent by the City with respect to any of its discretionary actions.

12.13 NOTICES, DEMANDS AND COMMUNICATIONS. Unless otherwise specified, all notices, requests, demands, directions, and other communications provided for hereunder and under any other Loan Documents (a "Notice") must be in writing and must be mailed, delivered, or sent by facsimile transmission to the appropriate party at its respective address set forth below or, as to any party, at any other address as may be designated by it in a written notice sent to the other parties in accordance with this Section 12.14. Any notice given by facsimile transmission must be confirmed within three (3) Business Days by prompt delivery of a "hard" copy, or by personal delivery (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), to the appropriate party at its respective address. If any notice is given by mail it will be effective

three (3) Business Days after being deposited in the mails with first-class or airmail postage prepaid; if given by facsimile transmission, when sent; or if given by personal delivery, when delivered.

City: City of Oxnard
Community Development Department
214 South C Street
Oxnard, CA 93030
Attn: Curtis P. Cannon, Director
Facsimile: 805.385.7407
Phone: 805.385.7408

Paseo Nuevo Partners: Paseo Nuevo Partners, L.P.
c/o Las Cortes, Inc.
435 South "D" Street
Oxnard, CA 93030
Attn: William E. Wilkins, Chief Executive Officer
Facsimile: 805.385.8041
Phone: 805.385.7969

12.14 BINDING UPON SUCCESSORS. All provisions of this Loan Agreement and 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 Paseo Nuevo Partners without City's consent.

12.15 RELATIONSHIP OF PARTIES. The relationship of Paseo Nuevo Partners and City 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. City neither undertakes nor assumes any responsibility or duty to Paseo Nuevo Partners or any third party with respect to the Project, the Site, or the Loan. Paseo Nuevo Partners shall have no authority to act as an agent of City or to bind City to any obligation.

12.16 ASSIGNMENT AND ASSUMPTION. Paseo Nuevo Partners 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 Agreement and Loan Documents, without the prior written consent of City. Any unauthorized assignment shall be void.

12.17 WAIVER. Any waiver by City of any obligation in this Loan Agreement and Loan Documents must be in writing. No waiver will be implied from any delay or failure by City to take action on any breach or default of Paseo Nuevo Partners or to pursue any remedy allowed under the Loan Agreement and Loan Documents or applicable law. Any extension of time granted to Paseo Nuevo Partners to perform any obligation under this Loan Agreement and Loan Documents shall not operate as a waiver or release from any of its obligations under this Loan

Agreement or Loan Documents. Consent by City to any act or omission by Paseo Nuevo Partners shall not be construed to be consent to any other or subsequent act or omission or to waive the requirement for City's written consent to future waivers.

12.18 INTEGRATION. This Loan Agreement and the other Loan Documents, including exhibits, executed by Paseo Nuevo Partners for the Site, if any, contain the entire agreement of the parties and supersede any and all prior negotiations.

12.19 OTHER AGREEMENTS. Paseo Nuevo Partners represents that it has not entered into any agreements that are inconsistent with the terms of this Loan Agreement and Loan Documents. Paseo Nuevo Partners shall not enter into any agreements that are inconsistent with the terms of this Loan Agreement and Loan Documents without an express waiver by City in writing.

12.20 AMENDMENTS AND MODIFICATIONS. Any amendments or modifications to this Loan Agreement or Loan Documents must be in writing, and shall be made only if executed by both Paseo Nuevo Partners and City.

12.21 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.

12.22 COUNTERPARTS. The Loan Agreement may be executed in several counterparts, all of which shall be an original and all of which together shall constitute but one and the same Loan Agreement.

12.23 USE OF IMAGES. Paseo Nuevo Partners hereby consents to and approves the use by City of images of the Project, its models, plans and other graphical representations of the Project and its various elements in connection with websites, presentations, and other uses required by any of such authorities or agencies in connection with the Project. Such right to use the Project images shall not be assignable by City to any other party (including, without limitation, any private party without the prior written consent of Paseo Nuevo Partners). Paseo Nuevo Partners shall obtain any rights and/or consents from any third parties necessary to provide these rights to City.

12.24 ATTORNEY FEES. If either party hereto brings any action or files any proceeding to declare the rights granted herein or to enforce any of the terms of this Loan Agreement, the Loan Documents or as a consequence of any breach by the other party hereto of its obligations hereunder, then the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and costs and out-of-pocket expenditures paid by the losing party. The attorneys' fees and costs so recovered shall include fees and costs for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees and costs to the prevailing party, the prevailing party in any lawsuit on this Loan Agreement and Loan

Documents shall be entitled to its attorneys' fees and costs incurred in any post-judgment proceedings to collect or enforce the judgment. This provision is separate and several and shall survive any termination of this Loan Agreement, the Loan Documents, completion of the Project and the merger of this Loan Agreement or Loan Documents into any judgment on this Loan Agreement or the Loan Documents.

12.25 CONSTRUCT AND INTERPRETATION OF LOAN AGREEMENT.

(a) The language in all parts of this Loan Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any party. The parties hereto acknowledge and agree that this Loan Agreement has been prepared jointly by the parties and has been the subject of arm's length and careful negotiation over a considerable period of time, that each party has been given the opportunity to independently review this Loan Agreement with legal counsel, and that each party has the requisite experience and sophistication to understand, interpret, and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Loan Agreement, this Loan Agreement shall not be interpreted or construed against the party preparing it, and instead other rules of interpretation and construction shall be utilized.

(b) If any term or provision of this Loan Agreement, the deletion of which would not adversely affect the receipt of any material benefit by any party hereunder, shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Loan Agreement shall not be affected thereby and each other term and provision of this Loan Agreement shall be valid and enforceable to the fullest extent permitted by law. It is the intention of the parties hereto that in lieu of each clause or provision of this Loan Agreement that is illegal, invalid, or unenforceable, there be added as a part of this Loan Agreement an enforceable clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible.

(c) The captions of the articles, sections, and subsections herein are inserted solely for convenience and under no circumstances are they or any of them to be treated or construed as part of this instrument.

(d) References in this instrument to this "Loan Agreement" mean, refer to and include this instrument, the Loan Documents as well as any riders, exhibits, addenda and attachments hereto (which are hereby incorporated herein by this reference) or other documents expressly incorporated by reference in this instrument. Any references to any covenant, condition, obligation, and/or undertaking "herein," "hereunder," or "pursuant hereto" (or language of like import) shall mean, refer to, and include the covenants, obligations, and undertakings existing pursuant to this instrument and any riders, exhibits, addenda, and attachments or other documents affixed to or expressly incorporated by reference in this instrument.

(e) As used in this Loan Agreement, and as the context may require, the singular includes the plural and vice versa, and the masculine gender includes the feminine and vice versa.

12.26 DATE OF LOAN AGREEMENT. The date of this Loan Agreement shall be the date it is executed by City.

[remainder of page left intentionally blank]

[signatures on following pages]

IN WITNESS WHEREOF, the parties hereby have executed this Loan Agreement as of the date first above written.

CITY:

CITY OF OXNARD

By: _____
Dr. Thomas E. Holden, Mayor

PASEO NUEVO PARTNERS:

PASEO NUEVO Partners, L.P., a California limited partnership

By: LAS CORTES, INC., a California nonprofit public benefit corporation, its general partner

ATTEST:

Daniel Martinez, City Clerk



Name: Andres Herrera
Title: President

APPROVED AS TO FORM:

Alan Holmberg, City Attorney

APPROVED AS TO INSURANCE:

James Cameron, Chief Financial Officer

EXHIBIT A-1
TO LOAN AGREEMENT

LEGAL DESCRIPTION OF SITE

Real property in the City of Oxnard, County of Ventura, State of California, described as follows:

All that certain real property situated in the County of Ventura, State of California, described as follows:

Parcel 1:

That portion of Lot 10 of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 11 Page 104 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at the Southwest corner of said Lot 10; thence,
1st: the Easterly along the South line of said lot a distance of 200.39 feet;
thence
2nd: the Northerly and parallel to the West line of said lot a distance of 137.12 feet; thence;
3rd: the Westerly and parallel to the North line of said lot 200.39 feet tot East Half West line of said lot; thence;
4th: the Southerly along the West line of said lot 137.12 feet to the point of beginning.

Except all oil, gas, hydrocarbon substances as reserved by Staton Raper, et ux., in deed recorded August 13, 1957 in Book 1541 Page 66, of Official Records.

Parcel 2:

A part of Lot 10 of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 11 Page 104 of Maps, in the Office of the County Recorder of said County, described as follows:

Beginning at a point in the South line of said Lot 10, distant Easterly 200.39 feet from the Southwest corner of said Lot 10, which said point of beginning is also the Southeast corner of the land conveyed by Charles McIver, et ux, to Staton Raper, et ux., recorded contemporaneously herewith; thence from said point of beginning:

1st: the Northerly and parallel with the West line of said Lot 10, 137.12 feet to a point, which point is the Northeast corner of said land so conveyed to Staton Raper, et ux., thence;
2nd: the Easterly and parallel to the North line of said Lot 10, a distance of 100.00 feet to a point which point is the Northwest corner of the land conveyed to Hugh E. Davis, et ux., by deed from Charles McIver, et ux., recorded contemporaneously herewith, thence;
3rd: the Southerly and parallel with the West line of said Lot 10, a distance of 137.12 feet to a point in the South line of said Lot 10, which point is also the Southwest corner of said land conveyed to Hugh E. Davis, et ux., thence;

4th: the Westerly along the South line of said Lot 10, a distance of 100.00 feet to the point of beginning.

Parcel 3:

A part of Lot 10 Of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 11 Page 104 of Maps, in the Office of the County Recorder of said County, particularly described as follows:

Beginning at the Southwest corner of the land conveyed to Carrie M.G. Wilder, by deed recorded May 19, 1947 in Book 788 Page 166, of Official Records, which point is also distance the Easterly along the South line of said Lot 10, 400.39 feet from the Southwest corner of said Lot 10; thence from said point of beginning,

1st: the Northerly and parallel to the West line of said Lot 10 a distance of 137.12 feet to the Northwest corner of the land so conveyed to Carrie M.G. Wilder; thence,

2nd: the Easterly and parallel to the North line of said Lot 10, 235.00 feet to the East line of said Lot 10; thence,

3rd: the Northerly along the East line of said Lot 10, a distance of 10.00 feet to a point; thence,

4th: the Westerly and parallel to the North line of said Lot 10, a distance of 267.00 feet to a point; thence,

5th: the Southerly and parallel to the West line of said Lot 10, a distance of 10.00 feet to a point; thence,

6th: the Westerly and parallel to the North line of said Lot 10, a distance of 68.00 feet to a point, which point is also the Northeast corner of that certain land conveyed to Charles McIver, et ux., to Hubert McEarl, et ux., by deed recorded contemporaneously herewith; thence,

7th: the Southerly and parallel to the West line of said Lot 1 and along the East line of said land so conveyed to Hubert McEarl, a distance of 137.12 feet to a point in the South line of said Lot 10; thence,

8th: the Easterly along the South line of said Lot 10, 100.00 feet to the point of beginning.

Parcel 4:

A part of Lot 10 Of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 11 Page 104 of Maps, in the Office of the County Recorder of said County, particularly described as follows:

Beginning at a point in the East line of said Lot 10, 195.55 feet South of the Northeast corner of said Lot 10; thence Westerly and parallel to the North line of said Lot 10, 317.00 feet to the true point of beginning; thence from said true point of beginning.

1st: the South and parallel to the West line of said Lot 10 a distance of 10.00 feet to a point; thence,
2nd: the Easterly and parallel to the North line of said Lot 10, a distance of 50.00 feet to a point; thence,
3rd: the Northerly and parallel to the West line of said Lot 10, a distance of 10.00 feet to a point; thence,
4th: the Westerly and parallel to the North line of said Lot 10, a distance of 50.00 feet to the true point of beginning.
Parcel 5:

A part of Lot 10 Of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 11 Page 104 of Maps, in the Office of the County Recorder of said County, particularly described as follows:

Beginning at a point on the East line and 205.66 feet South of the Northeast corner of Lot 10; thence,

1st: the West and parallel to the North line of said Lot a distance of 235.00 feet; thence,
2nd: the Southerly and parallel to the West line of said Lot a distance of 137.12 feet to the South line of said Lot; thence,
3rd: the East along the South line of said Lot to the Southeasterly line of said Lot; thence,
4th: the Northerly along the Westerly line of Cypress Road to the point of beginning.

Parcel 6:

A portion of Parcel C, Subdivision 83 of Rancho El Rio De Santa Clara O'La Colonia, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 3 Page 14 of Maps, in the Office of the County Recorder of said County, more particularly described as follows:

Beginning at a point on the Westerly line of Cypress Road, 50.00 feet wide, as said road is shown on a map of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per map recorded in Book 11 Page 104 of Maps, in the Office of the County Recorder of said County, said point also bears North 0° 02' 00" West 96.63 feet from the Northwesterly line of that strip of land 25.00 feet wide as conveyed to Ventura County Railway, recorded in Book 106 Page 540 of Deeds; thence from said Point of beginning,

1st: the South 89° 58' 00" West 56.92 feet to a point on the Southwesterly line of Lot 10 of said Garden City Acres; thence along said Southeasterly line,
2nd: the North 37° 10' 45" East 94.15 feet to a point on the Westerly line of said Cypress Road; thence along said Westerly line,
3rd: the South 0° 02' 00" East 75.00 feet to the point of beginning.

All that certain real property situated in the County of Ventura, State of California, described as follows:

PARCEL 1:

The North 68.55 feet of Lot 10 of Garden City Acres, in the City of Oxnard, in the County of Ventura, State of California, as per Map recorded in Book 11, Pages 104 of Maps, in the office of the County Recorder of said County.

PARCEL 2:

Part of Lot 10 of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per Map recorded in Book 11, Page 104 of Maps, in the office of the County Recorder of said County, described as follows:

Beginning at a point on the East line of said Lot 10, distant Southerly thereon 68.55 feet from the Northeast corner thereof; thence Westerly and parallel to the North line of said Lot,

1st: South 89° 53' West 635.39 feet to the west line of said Lot; thence along the West line of said Lot,

2nd: South 0° 02' East 137.11 feet to a point; thence Easterly and parallel to the North line of said Lot,

3rd: North 89° 53' East 318.39 feet to a point; thence Northerly and parallel to the West line of said Lot,

4th: North 0° 02' West 127.11 feet to a point; thence Easterly and parallel to the North line of said Lot,

5th: North 89° 53' East 317.00 feet to the East line of said Lot; thence Northerly along the East line of said Lot,

6th: North 0° 02' West 10.00 feet to the point of beginning.

EXCEPT that portion described as follows:

Beginning at a point on the Westerly line of said Lot 10, distant Southerly thereon 68.55 feet from the Northwesterly corner thereof;

1st: South 0° 02' East 137.11 feet; thence,

2nd: North 89° 53' East 75.00 feet; thence, parallel with the Westerly line of said Lot;

3rd: North 0° 02' West 137.11 feet; thence, parallel with the Northerly line of said Lot;

4th: South 89° 53' West 75 feet to the point of beginning.

PARCEL 3:

A part of Lot 10 of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per Map recorded in Book 11, Page 104 of Maps, in the office of the County Recorder of said County, described as follows:

Beginning at a point on the Westerly line of said Lot 10, distant Southerly thereon 68.55 feet from

the Northwesterly corner thereof;

- 1st: South 0° 02' East 137.11 feet; thence,
- 2nd: North 89° 53' East 75.00 feet; thence, parallel with the Westerly line of said Lot;
- 3rd: North 0° 02' West 137.11 feet; thence, parallel with the Northerly line of said Lot;
- 4th: South 89° 53' West 75 feet to the point of beginning.

PARCEL 4:

A part of Lot 10 of Garden City Acres, in the City of Oxnard, in the County of Ventura, State of California, as per Map recorded in Book 11, Page 104 of Maps, in the office of the County Recorder of said County, and more particularly described as follows:

Beginning at a point on the East line of said Lot, 78.55 feet South of the Northeast corner of said Lot; thence,

- 1st: West and parallel with the North line of said Lot a distance of 317.00 feet; thence,
- 2nd: Southerly and parallel with the East line of said Lot a distance of 107.00 feet; thence,
- 3rd: East and parallel with the North line of said Lot a distance of 317.00 feet to the East line of said Lot; thence,
- 4th: Northerly along the East line of said Lot a distance of 107.00 feet to the point of beginning.

PARCEL 5:

A part of Lot 10, of Garden City Acres, in the City of Oxnard, County of Ventura, State of California, as per Map recorded in Book 11, Page 104 of Maps, in the office of the County Recorder of said Ventura County, more particularly described as follows:

Beginning at a point on the East line of said Lot 10, 185.55 feet South of the Northeast corner of said Lot 10; thence Westerly and parallel to the North line of said Lot 10; a distance of 317.00 feet; thence Southerly and parallel to the West line of said Lot 10, a distance of 10.00 feet; thence Easterly and parallel to the North line of said Lot 10, to the East line of said Lot 10; thence Northerly along the East line of said Lot 10, a distance of 10.00 feet to the place of beginning.

EXHIBIT A-2 TO LOAN AGREEMENT

SITE MAP

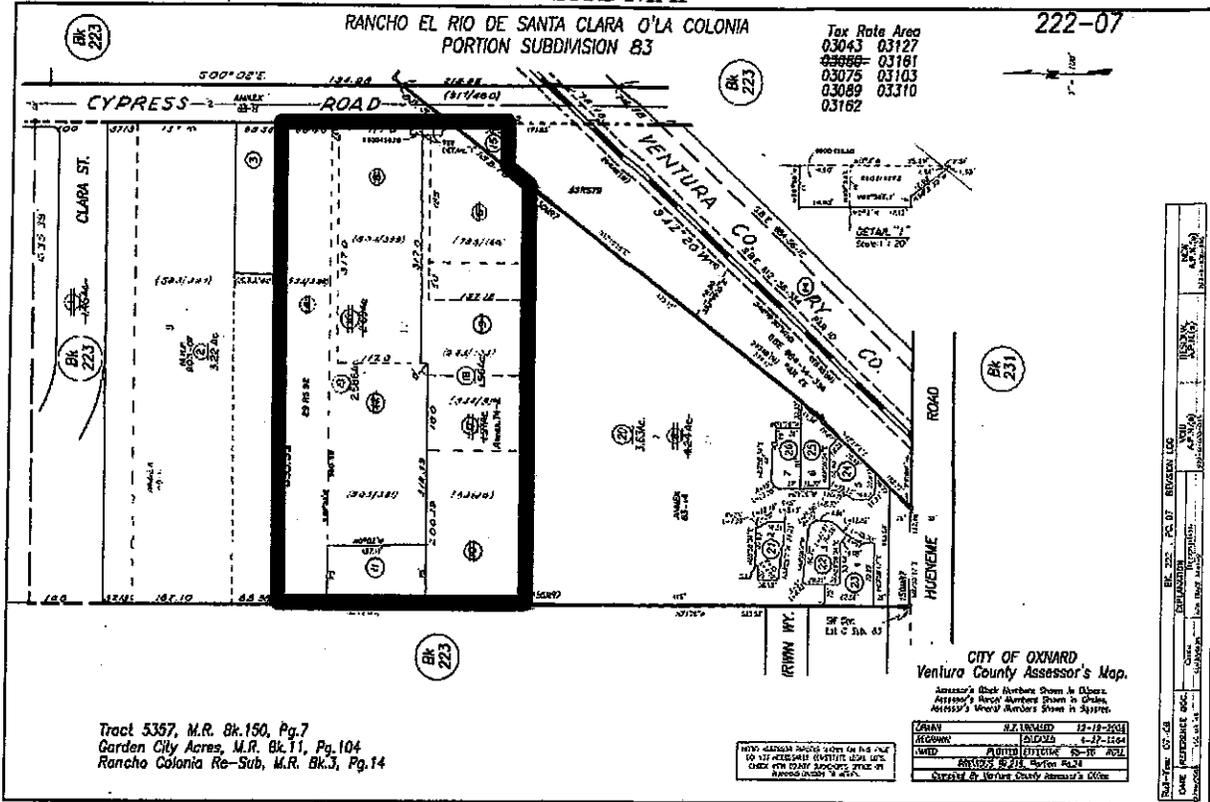
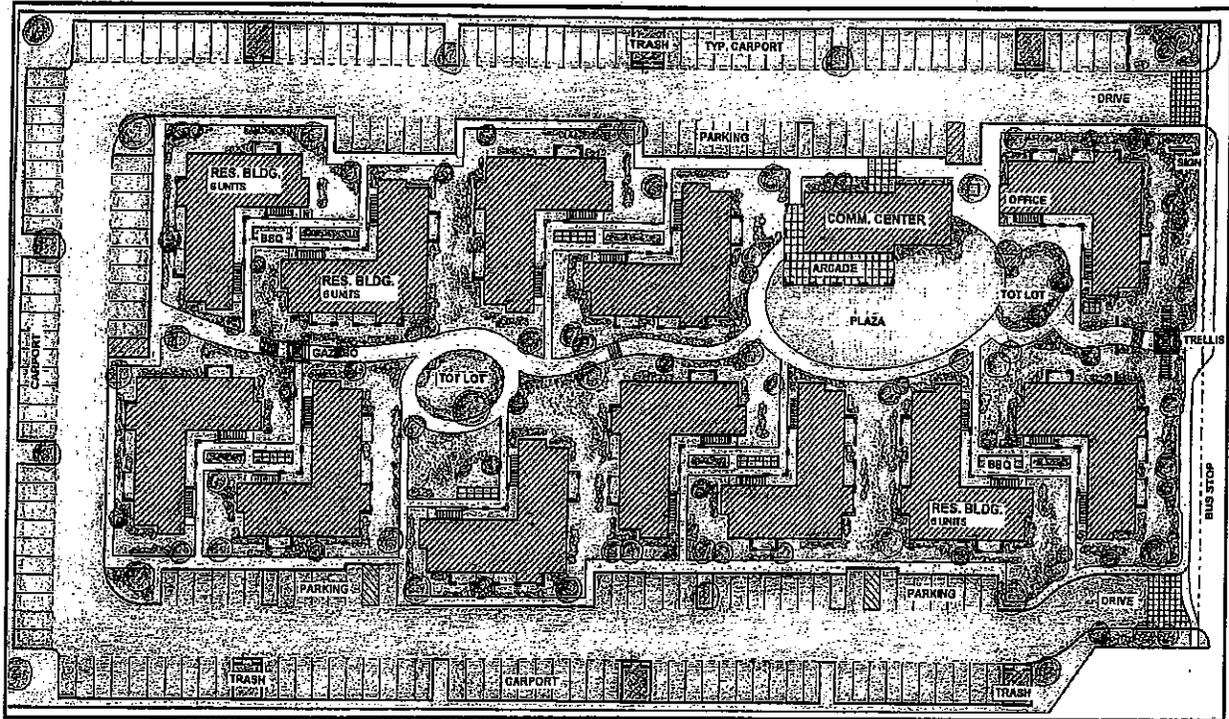


EXHIBIT A-3
TO LOAN AGREEMENT
PRELIMINARY DEVELOPMENT PLAN



A-7

**EXHIBIT B
TO LOAN AGREEMENT
(BUDGET)**

Permanent Financing Sources:

| | | |
|---|----------------------|------------------|
| Tax-Exempt Bonds | \$ 7,200,000 | |
| Tax Credit Equity | 7,613,347 | |
| Solar Tax Credit Equity | 211,200 | \$.80 credit pr |
| Solar Rebates | 450,000 | |
| Seller Carryback Note | 2,000,000 | |
| City In-Lieu Financing | 2,000,000 | |
| CDC Loan | 5,000,000 | |
| Deferred Impact Fee | 600,000 | |
| Accrued Interest on Seller Note & City Loan | 415,000 | |
| Funding Gap | - | |
| Deferred Contractor Fee | - | |
| Developer Equity | - | |
| Deferred Developer Fee | 911,893 | |
| Total | <u>\$ 26,401,441</u> | |

Construction Financing Sources:

| | |
|--|----------------------|
| Tax-Exempt Bonds | \$ 12,390,203 |
| Tax Credit Equity | 1,522,669 |
| Solar Tax Credit Equity | - |
| Solar Rebates | 450,000 |
| Seller Carryback Note | 2,000,000 |
| City In-Lieu Financing | 2,000,000 |
| CDC Loan | 5,000,000 |
| Deferred Impact Fee | 600,000 |
| Accrued Interest on Seller Note & City Loans | 415,000 |
| Funding Gap | - |
| Deferred Contractor Fee | - |
| Developer Equity | - |
| Deferred Developer Fee | 2,023,568 |
| Total | <u>\$ 26,401,441</u> |

| | Project Costs | Land and Non-Amort./Depr. Costs | Amortizable Costs | Expensed Costs | Reserves | Syndication | Depreciable Costs | Depreciable but Noneligible costs | Eligible Basis |
|--|-------------------|---------------------------------|-------------------|----------------|----------------|-------------|-------------------|-----------------------------------|----------------|
| LAND COST/ACQUISITION | | | | | | | | | |
| Land | \$ 4,000,000 | \$ 4,000,000 | | | | | \$ - | \$ - | |
| Lost Rent from Relocation Prior to Constructio | 50,000 | 50,000 | | | | | - | - | |
| Demolition | 175,000 | 175,000 | | | | | - | - | |
| Closing Costs | 50,000 | 50,000 | | | | | - | - | |
| Acquisition | - | - | | | | | - | - | |
| Subtotal | 4,275,000 | 4,275,000 | | | | | | | |
| SITEWORK | | | | | | | | | |
| Grading, Drainage, Utilities, Curb, Gutter, Paving, Site Landscape | | | | | | | | | |
| Shoring, Underground Improvements | 2,237,365 | | | | | | 2,237,365 | 2,237,365 | |
| Remediation | 50,000 | | | | | | 50,000 | 50,000 | |
| Off-sites: utilities, street improvements, railroad crossin | 150,662 | | | | | | 150,662 | 150,662 | |
| Construction Contingency | 121,901 | | | | | | 121,901 | 121,901 | |
| Subtotal | 2,559,928 | | | | | | 2,559,928 | 2,559,928 | |
| STRUCTURES | | | | | | | | | |
| Construction | 8,813,810 | | | | | | 8,813,810 | 8,813,810 | |
| Common Facilities | 600,000 | | | | | | 600,000 | 600,000 | |
| Solar Costs | 880,000 | | | | | | 880,000 | 880,000 | |
| Retail Tenant Improvements | - | | | | | | - | - | |
| Construction Contingency | 470,691 | | | | | | 470,691 | 470,691 | |
| Subtotal | 10,764,501 | | | | | | 10,764,501 | 10,764,501 | |
| CONTRACTOR FEES | | | | | | | | | |
| General Requirements-included above | - | | | | | | - | - | |
| Contractor Profit & Overhead-included above | - | | | | | | - | - | |
| Subtotal | - | | | | | | - | - | |
| FINANCING COSTS | | | | | | | | | |
| Title, Escrow, Recording (construction tenu | 32,500 | | | | | | 32,500 | 32,500 | |
| Title and Recording (permanent loan | 27,500 | | 27,500 | | | | - | - | |
| Construction Interest | 520,000 | | | 260,000 | | | 260,000 | 260,000 | |
| Interest on City Loans & Seller Carryback Loa | 415,000 | | | | | | 415,000 | 415,000 | |
| Construction Loan Fees | 135,000 | | | | | | 135,000 | 135,000 | |
| Permanent Inspections | - | | | | | | - | - | |
| Permanent Loan Fees | 72,000 | | 72,000 | | | | - | - | |
| Bond Insurance Costs and Legal Fees | 250,000 | | | | | | - | - | |
| City Review | - | | | | | | - | - | |
| Tax Credit Agency Fees | 40,067 | | 40,067 | | | | - | - | |
| Subtotal | 1,497,067 | | 389,567 | 260,000 | | | 842,500 | 842,500 | |
| SOFT COSTS | | | | | | | | | |
| Architectural and Engineering | 480,883 | | | | | | 480,883 | 480,883 | |
| Developer Legal | 64,000 | | 64,000 | | | | - | - | |
| Accounting Fees | 16,000 | | | | | | 16,000 | 16,000 | |
| Consulting/Professional Fees | 200,000 | | | | | | 200,000 | 200,000 | |
| Taxes | 50,000 | | | | | | 50,000 | 50,000 | |
| Environmental Audit | 28,000 | | | | | | 28,000 | 28,000 | |
| Capital Needs Assessment | - | | | | | | - | - | |
| Appraisal | 4,600 | | | | | | 4,600 | 4,600 | |
| Impact Fees/Permit Processing Fees | 2,500,000 | | | | | | 2,500,000 | 2,500,000 | |
| Relocation Costs | 550,000 | | | | | | 550,000 | 550,000 | |
| Bond Premium | 125,000 | | | | | | 125,000 | 125,000 | |
| Furniture, Fixtures, and Equipment | 20,000 | | | | | | 20,000 | 20,000 | |
| Soft Cost Contingency | 130,462 | | 80,462 | | | | 50,000 | 50,000 | |
| Insurance During Construction | 125,000 | | | | | | 125,000 | 125,000 | |
| General Liability Insurance | - | | | | | | - | - | |
| Investor Due Diligence | 50,000 | | 50,000 | | | | - | - | |
| Marketing | 10,000 | | | 10,000 | | | - | - | |
| Market Study | 6,000 | | | | | | 6,000 | 6,000 | |
| Subtotal | 4,339,943 | | 194,462 | 10,000 | | | 4,133,483 | 4,133,483 | |
| RESERVES | | | | | | | | | |
| Section 3 Transition Reserve-3 Year | | | | | | | | | |
| TCAC Operating Reserve | 450,000 | | | | 450,000 | | - | - | |
| Subtotal | 450,000 | | | | 450,000 | | - | - | |
| DEVELOPER FEE | | | | | | | | | |
| Developer fee | 1,250,000 | | | | | | 1,250,000 | 1,250,000 | |
| Developer fee-Housing Authority & Non-profit partne | 1,250,000 | | | | | | 1,250,000 | 1,250,000 | |
| | \$ 16,401,441 | \$ 4,275,000 | \$ 584,039 | \$ 270,000 | \$ 450,000 | \$ - | \$ 20,822,412 | \$ - | \$ 10,822,412 |

EXHIBIT C
TO LOAN AGREEMENT

SCHEDULE OF PERFORMANCE

| | |
|--|---|
| <u>Submission – Corporate Authorizing Documents, Certificate of Status, Legal Opinion.</u> Section 4.3(3), (11). | Prior to, and as a condition precedent to, City execution of the Loan Agreement. |
| <u>Submission – ALTA Lender’s Policy.</u> Section 4.3(8) | Prior to, and as a condition precedent to, disbursement of the First Draw. |
| <u>Submission – Insurance Policies.</u> Section 4.3(9). | Prior to, and as a condition precedent to, disbursement of the First Draw. |
| <u>Submission – Permits, Licenses, & Approvals.</u> | Within thirty (30) days prior to disbursement of the Second Draw. |
| <u>Construction Sign.</u> Paseo Nuevo Partners shall cause to be erected on the Site a construction sign describing the development and the participants in accordance with City specifications. | Within sixty (60) days after the date of a tax credit allocation from TCAC. |
| <u>Submission – Plans and Specifications.</u> Section 5.4. | Prior to Commencement of Construction. |
| <u>Orientation.</u> Paseo Nuevo Partners shall coordinate a preconstruction orientation meeting with Paseo Nuevo Partners’ general contractors and City. | Prior to Commencement of Construction. |
| <u>Submission – Management Plan.</u> Section 5.6. | Within ninety (90) days prior to completion of construction. |
| <u>Review and Approval – Management Plan.</u> Section 5.6. | Within thirty (30) days after submission by Paseo Nuevo Partners. |
| <u>Submission - Construction Budget.</u> Section 5.1. | Within thirty (30) days prior to disbursement of the Second Draw. |
| <u>Review and Approval - Construction Budget.</u> Section 5.1. | Within thirty (30) days after submission by Paseo Nuevo Partners. |
| <u>Submission – Construction Contract and Construction Schedule.</u> Section 5.5. | Within thirty (30) days prior to disbursement of the Second Draw. |
| <u>Commencement of Construction.</u> Section 6.3. | No later than the first (1 st) anniversary of the date of the Loan Agreement. |
| <u>Completion of Construction.</u> Paseo Nuevo Partners shall complete construction of the Project as evidenced by issuance of a final certificate of occupancy by City for the entire Project. | Within thirty-six (36) months after the date of the Loan Agreement. |

| | |
|---|---|
| <u>Final Inspection.</u> City shall conduct a final inspection of all Improvements. | Within fifteen (15) days after request by Paseo Nuevo Partners. |
| <u>Submission - Audit of Development Costs.</u> Paseo Nuevo Partners shall submit a certified breakdown of Development Costs. | Within one hundred and twenty (120) days after the issuance of the Certificate of Occupancy by City. |
| <u>Issuance of City Release of Construction Covenants.</u> City shall issue in recordable form the Release of Construction Covenants. | Within thirty (30) days after receipt by City of Paseo Nuevo Partners' written request, provided all requirements for issuance have been satisfied. |

EXHIBIT D
TO LOAN AGREEMENT

FORM OF PILOT PROMISSORY NOTE SECURED BY DEED OF TRUST

(PILOT # _____)

\$8,381,782

OXNARD,

CALIFORNIA

DATE: _____, _____

FOR VALUE RECEIVED, Paseo Nuevo Partners, L.P., a California limited partnership ("Paseo Nuevo Partners"), hereby promises to pay to the order of the City of Oxnard, a public body, corporate and politic, whose address is 214 South C Street, Oxnard, CA 93030 ("City"), a principal amount equal EIGHT MILLION THREE HUNDRED EIGHTY-ONE THOUSAND SEVEN HUNDRED EIGHTY-TWO DOLLARS (\$8,381,782) ("PILOT"), or so much thereof as may be owed to City pursuant to the loan agreement of even date herewith between Paseo Nuevo Partners and City, which is incorporated herein by this reference as of fully set forth (the "Loan Agreement"). Any capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Loan Agreement.

1. **PASEO NUEVO PARTNERS' OBLIGATION.** This Promissory Note ("Note") evidences the obligation of Paseo Nuevo Partners to compensate City for the loss of property tax revenue as a result of the tax exempt status of Paseo Nuevo Partners' managing general partner regarding the acquisition and development of the real property (the "Site") described in the Loan Agreement with affordable rental apartments (the "Project"). The Note is secured by that certain deed of trust of even date herewith executed by Paseo Nuevo Partners for City's benefit (the "Deed of Trust").

2. **INTEREST.** Except in the event of default as hereinafter provided, PILOT shall be non-interest bearing. At all times when Paseo Nuevo Partners is in default hereunder by reason of Paseo Nuevo Partners' failure to pay principal due under this Note or any amounts due under the Loan Agreement, the interest rate on the sums as to which Paseo Nuevo Partners is in default shall be the lower of the highest rate then allowed by law or five percent (5%) over the prime interest rate announced by Wells Fargo Bank, N.A., as of the date of the default.

3. **AMOUNT AND TIME OF PAYMENT.** Commencing on the first Payment Date and terminating on April 1, 2044, Paseo Nuevo Partners shall pay to the City as and for PILOT the sum of ONE HUNDRED TWENTY THOUSAND FIVE HUNDRED NINETY-SEVEN DOLLARS (\$120,597) (the "Base Amount") plus, commencing on the second Payment Date and each Payment Date thereafter terminating on April 1, 2044, an increase of the Base Amount at an annual rate of two percent (2%). Commencing on April 1, 2044 and each and every Payment Date thereafter and terminating when any accrued and unpaid PILOT has been paid in full, Paseo Nuevo Partners shall pay to the City any accrued and unpaid PILOT Compensation.

PILOT shall be paid to City in annual installments from Residual Receipts as provided in Section 3.5 of the Loan Agreement. Any unpaid sums due on any Payment Date shall accrue until paid in full.

If Residual Receipts (as they may be available from time to time) are not sufficient to pay in full the annual and accrued PILOT by the end of the 55-year term of affordability covenants imposed upon the Project, provided that Paseo Nuevo Partners is not in default under any Loan Documents, the unpaid balance of principal remaining at the end of the 55-year term (if any) shall be forgiven, and this Note shall be cancelled and the Deed of Trust shall be re-conveyed.

Notwithstanding the foregoing, the principal and any accrued amount of PILOT shall be due and payable upon the occurrence of either of the following: (a) the date any portion of, or interest in, the Site or Improvements is sold, transferred, assigned, conveyed, financed or refinanced without the prior written consent of City; or (b) a material default by Paseo Nuevo Partners under the Loan Agreement or under any of the Loan Documents which has not been cured as provided herein or therein.

4. **PLACE OF PAYMENT.** All amounts due and payable under this Note and the Loan Agreement are payable at the office of City as set forth above, or at such other place as City may designate to Paseo Nuevo Partners in writing from time to time, in any coin or currency of the United States which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

5. **APPLICATION OF PAYMENTS.** All payments received on account of this Note shall be first applied to accrued interest (if any applies) and the remainder shall be applied to the reduction of principal; except that if City shall have made additional advances under the terms of the Deed of Trust and such advances have not been repaid, any payments received by City, at its option, may be applied first to the repayment of such advances and interest thereon.

6. **PREPAYMENT OF NOTE.** Paseo Nuevo Partners shall have the right to prepay PILOT in whole or in part. No prepayment penalty will be charged to Paseo Nuevo Partners for payment of all or any portion of this Note.

7. **WAIVERS.** Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorsers of this Note.

8. **DEFAULT.** This Note is secured by the Deed of Trust. All covenants, conditions and agreements contained in the Deed of Trust and the Loan Agreement are hereby made a part of the Note. Upon any default, City may exercise any other right or remedy permitted under the this Note, Loan Agreement any other agreement or at law or in equity.

9. **LIMITED RECOURSE.** The obligation to pay PILOT is a nonrecourse obligation of Paseo Nuevo Partners. Neither Paseo Nuevo Partners, nor any other party, shall have any personal liability for payment of PILOT. The sole recourse of City with respect to payment of PILOT shall be the exercise of its rights against the Site as described in the Deed of

Trust and related security documents. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by this Note or the Deed of Trust; (b) limit the right of the City to name Paseo Nuevo Partners as a party defendant in any action or suit for judicial foreclosure and sale under this Note and the Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against Paseo Nuevo Partners; (c) release or impair this Note or the Deed of Trust; (d) prevent or in any way hinder City from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Site or any other instrument securing this Note or as prescribed by law or in equity in case of default; (e) prevent or in any way hinder City from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing this Note; (f) relieve Paseo Nuevo Partners of any of its obligations under any indemnity delivered by Paseo Nuevo Partners to City; or (g) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by this Note and the Deed of Trust. The foregoing provisions of this paragraph are limited by the provision that in the event of the occurrence of any default, Paseo Nuevo Partners and its successors and assigns shall have personal liability hereunder for any deficiency judgment, but only if and to the extent Paseo Nuevo Partners, its principals, shareholders, partners or its successors and assigns received rentals, other revenues, or other payments or proceeds in respect of the mortgaged Site, which rentals, other revenues, or other payments or proceeds have not been used for the payment of ordinary and reasonable operating expenses of the mortgaged Site after the occurrence of such default, ordinary and reasonable capital improvements to the mortgaged Site, debt service, real estate taxes in respect of the mortgaged Site and basic management fees, but not incentive fees, payable to an entity or person unaffiliated with Paseo Nuevo Partners in connection with the operation of the mortgaged Site, which are then due and payable. Notwithstanding the foregoing, City:

(a) may obtain a judgment or order (including, without limitation, an injunction) requiring Paseo Nuevo Partners or any other party to perform (or refrain from) specified acts other than payment of PILOT; and

(b) may recover directly from Paseo Nuevo Partners or any other party for such party's actions that result in:

(i) any damages, costs or expenses incurred by City as a result of fraud or any criminal act or acts of Paseo Nuevo Partners or any member, manager, partner, shareholder, officer, director or employee of Paseo Nuevo Partners;

(ii) any damages, costs or expenses incurred by City as a result of any misappropriation of funds provided for the construction of the Project, as described in the Loan Agreement, rents and revenues from the operation of the Project or the portion of the Site on which the Project is located or proceeds of insurance policies or condemnation proceeds;

(iii) any and all amounts owing by Paseo Nuevo Partners pursuant to Paseo Nuevo Partners' indemnification regarding Hazardous Materials pursuant to the Loan Agreement and attachments thereto; and/or

(iv) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that City shall pay Paseo Nuevo Partners' reasonable court costs and attorneys' fees if Paseo Nuevo Partners is the prevailing party in any such enforcement or collection action).

10. **CONSENTS AND APPROVALS.** Any consent or approval of City required under this Note shall not be unreasonably withheld.

11. **NOTICES.** Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by City shall be in writing and may be communicated to Paseo Nuevo Partners at the principal office of Paseo Nuevo Partners set forth above, or at such other place or places as Paseo Nuevo Partners shall designate in writing, from time to time, for the receipt of communications from City.

12. **BINDING UPON SUCCESSORS.** All provisions of this Note shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors-in-interest, transferees, and assigns of Paseo Nuevo Partners and City; provided, however, that this section does not waive the prohibition in the Loan Agreement on assignment of PILOT by Paseo Nuevo Partners without City's consent.

13. **ASSIGNMENT AND ASSUMPTION.** Paseo Nuevo Partners shall not assign any of its interests under this Note to any other party, except as specifically permitted under the terms of the Loan Agreement, without the prior written consent of City. Any unauthorized assignment shall be void.

14. **DEFINITIONS.** Capitalized terms not defined in this Note shall have the same meaning as defined terms in the Loan Agreement.

15. **GOVERNING LAW.** This Note shall be interpreted under and governed by the laws of the State of California.

16. **SEVERABILITY.** Every provision of this Note is intended to be severable. If any provision of this Note 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.

17. **TIME.** Time is of the essence in this Note.

18. **WAIVER.** Any waiver by City of any obligation in this Note must be in writing. No waiver shall be implied from any failure of Paseo Nuevo Partners to take, or any delay or failure by City to take action on any breach or default by Paseo Nuevo Partners or to pursue any

remedy allowed under this Note or applicable law. Any extension of time granted to Paseo Nuevo Partners to perform any obligation under the Note shall not operate as a waiver or release from any of its obligations under this Note. Paseo Nuevo Partners hereby waives all defenses and pleas on the grounds of any extensions of the time for repayment of any amounts due under this Note, unless City has granted such extensions in writing. Consent by City to any act or omission by Paseo Nuevo Partners shall not be construed to be consent to any other act or omission or to waive the requirement for City's written consent to future waivers.

19. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Note must be in writing, and shall be made only if executed by both Paseo Nuevo Partners and City.

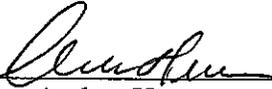
[signatures to follow on next page]

Executed _____, _____ at _____, California.

PASEO NUEVO PARTNERS:

PASEO NUEVO PARTNERS, L.P., a California
limited partnership

By: LAS CORTES, INC., a California nonprofit
public benefit corporation, its general partner



Name: Andres Herrera

Title: President

EXHIBIT E
TO LOAN AGREEMENT

FORM OF DEED OF TRUST FOR PAYMENT OF PILOT

Recording Requested By and
When Recorded Mail to:

City of Oxnard
Community Development Department
214 South C Street
Oxnard, California 93030
Attention: Community Development Dir.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

No recording fee pursuant to California Government Code Section 27383

**DEED OF TRUST,
SECURITY AGREEMENT AND FIXTURE FILING RECORDED AGAINST
PROPERTY
(WITH ASSIGNMENT OF RENTS)**

This Deed of Trust, Security Agreement and Fixture Filing Recorded Against Property (With Assignment of Rents) is made as of _____, 20__ by PASEO NUEVO PARTNERS, L.P., a California limited partnership ("**Trustor**"), whose address is Paseo Nuevo Partners, L.P., c/o Las Cortes, Inc., 435 South "D" Street, Oxnard, CA 93030, Attention: William E. Wilkins, to _____ TITLE INSURANCE COMPANY ("**Trustee**"), for the benefit of the City OF OXNARD ("**Beneficiary**"), whose address is City of Oxnard, Community Development Department, 214 South C Street, Oxnard, California 93030, Attention: Community Development Director.

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee, its successors and assigns, in Trust, with POWER OF SALE TOGETHER WITH RIGHT OF ENTRY AND POSSESSION the following property (the "**Trust Estate**"):

(a) That certain real property in the City of Oxnard, County of Ventura, State of California more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof (the "**Site**");

(b) All buildings, structures and other improvements now or in the future located or to be constructed on the Site (the "**Improvements**");

(c) All tenements, hereditaments, appurtenances, privileges, franchises and other rights and interests now or in the future benefitting or otherwise relating to the Site or the Improvements, including easements, rights-of-way and development rights (the "Appurtenances"). (The Appurtenances, together with the Site and the Improvements, are hereafter referred to collectively as the "Real Property");

(d) Subject to the assignment to Beneficiary set forth in Paragraph 4 below, all rents, issues, income, revenues, royalties and profits now or in the future payable with respect to or otherwise derived from the Trust Estate or the ownership, use, management, operation leasing or occupancy of the Trust Estate, including those past due and unpaid;

(e) All present and future right, title and interest of Trustor in and to all inventory, equipment, fixtures and other goods (as those terms are defined in Division 9 of the California Uniform Commercial Code (the "UCC"), and whether existing now or in the future) now or in the future located at, upon or about, or affixed or attached to or installed in, the Real Property, or used or to be used in connection with or otherwise relating to the Real Property or the use, development, construction, maintenance, management, operation, marketing, leasing or occupancy of the Real Property, including furniture, furnishings, machinery, appliances, building materials and supplies, generators, boilers, furnaces, water tanks, heating ventilating and air conditioning equipment and all other types of tangible personal property of any kind or nature, and all accessories, additions, attachments, parts, proceeds, products, repairs, replacements and substitutions of or to any of such property, but not including personal property that is donated to Trustor ("Goods", and together with the Real Property, the "Property"); and

(f) All present and future right, title and interest of Trustor in and to all accounts, general intangibles, chattel paper, deposit accounts, money, instruments and documents (as those terms are defined in the UCC) and all other agreements, obligations, rights and written material (in each case whether existing now or in the future) now or in the future relating to or otherwise arising in connection with or derived from the Property or any other part of the Trust Estate or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing, occupancy, sale or financing of the Property or any other part of the Trust Estate, including (to the extent applicable to the Property or any other portion of the Trust Estate): (i) permits, approvals and other governmental authorizations, (ii) improvement plans and specifications and architectural drawings, (iii) agreements with contractors, subcontractors, suppliers, project managers, supervisors, designers, architects, engineers, sales agents, leasing agents, consultants and property managers, (iv) warranties, guaranties, indemnities and insurance policies, together with insurance payments and unearned insurance premiums, (v) claims, demands, awards, settlements, and other payments arising or resulting from or otherwise relating to any insurance or any loss or destruction of, injury or damage to, trespass on or taking, condemnation (or conveyance in lieu of condemnation) or public use of any of the Property, (vi) license agreements, service and maintenance agreements, purchase and sale agreements and purchase options, together with advance payments, security deposits and other amounts paid to or deposited with Trustor under any such agreements, (vii) reserves, deposits, bonds, deferred payments, refunds, rebates, discounts, cost savings, escrow proceeds, sale proceeds and other

rights to the payment of money, trade names, trademarks, goodwill and all other types on intangible personal property of any kind or nature and (viii) all supplements, modifications, amendments, renewals, extensions, proceeds, replacements and substitutions of or to any of such property ("**Intangibles**").

Trustor further grants to Trustee and Beneficiary, pursuant to the UCC, a security interest in all present and future right, title and interest of Trustor in and to all Goods and Intangibles and all of the Trust Estate described above in which a security interest may be created under the UCC (collectively, the "**Personal Property**"). This Deed of Trust constitutes a security agreement under the UCC, conveying a security interest in the Personal Property to Trustee and Beneficiary. Trustee and Beneficiary shall have, in addition to all rights and remedies provided herein, all the rights and remedies of a "secured party" under the UCC and other applicable California law. Trustor covenants and agrees that this Deed of Trust constitutes a fixture filing under Section 9313 and 9402(6) of the UCC.

FOR THE PURPOSE OF SECURING, in such order of priority as Beneficiary may elect, the following:

(1) due, prompt and complete observance, performance and discharge of each and every condition, obligation, covenant and agreement contained in the following:

(a) a PILOT Promissory Note in the original principal amount of EIGHT MILLION THREE HUNDRED EIGHTY-ONE THOUSAND SEVEN HUNDRED EIGHTY-TWO DOLLARS (\$8,381,782), executed by Trustor ("Borrower" therein) of even date herewith ("**Note**");

(b) the Loan Agreement, dated as of _____, 20_____, by and between Trustor ("Paseo Nuevo Partners" therein) and Beneficiary ("City" therein), pertaining to the obligations for the Property therein ("**Project**");

(2) payment of indebtedness of the Trustor to the Beneficiary not to exceed EIGHT MILLION THREE HUNDRED EIGHTY-ONE THOUSAND SEVEN HUNDRED EIGHTY-TWO DOLLARS (\$8,381,782) according to the terms of the Note;

(3) All present and future obligations of Trustor to Beneficiary under this Deed of Trust; and

(4) All additional present and future obligations of Trustor to Beneficiary under any other agreement or instrument (whether existing now or in the future) which states that it is, or such obligations are, secured by this Deed of Trust; in each case as such other obligations may from time to time be supplemented, modified, amended, renewed and extended, whether evidenced by new or additional documents.

The Note and Loan Agreement (collectively referred to as the "**Secured Obligations**") and all of their terms are incorporated herein by reference and this conveyance shall secure any

and all extensions, amendments, modifications or renewals thereof however evidenced, and additional advances evidenced by any note reciting that it is secured hereby. Any capitalized term that is not otherwise defined in this Deed of Trust shall have the meaning ascribed to such term in the Loan Agreement.

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

1. That Trustor shall pay the Note at the time and in the manner provided therein, and perform the obligations of Trustor as set forth in the Secured Obligations at the time and in the manner respectively provided therein.
2. Reserved.
3. That the Secured Obligations are incorporated in and made a part of this Deed of Trust. Upon default of a Secured Obligation, and after the giving of notice and the expiration of any applicable cure period, Beneficiary, at its option, may declare the whole of the indebtedness secured hereby to be due and payable.
4. That all rents, profits and income from the property covered by this Deed of Trust are hereby assigned to Beneficiary for the purpose of discharging the debt hereby secured. Permission is hereby given to Trustor so long as no default exists hereunder after the giving of notice and the expiration of any applicable cure period, to collect such rents, profits and income for use in accordance with the provisions of the Loan Agreement.
5. That upon default hereunder or under the aforementioned agreements, and after the giving of notice and the expiration of any applicable cure period, Beneficiary shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom.
6. That Trustor will keep the Improvements to be constructed on the Site insured against loss by fire and such other hazards, casualties, and contingencies as may reasonably be required in writing from time to time by Beneficiary, and all such insurance shall be evidenced by standard fire and extended coverage insurance policy or policies. In no event shall the amounts of coverage be less than 100% of the insurable value of the Property. Such policies shall be endorsed with standard mortgage clause with loss payable to Beneficiary and certificates thereof together with copies of original policies shall be deposited with Beneficiary.
7. To pay, prior to delinquency, any taxes and assessments affecting said Property; to pay, when due, all encumbrances, charges and liens, with interest, on said Property or any part thereof which appear to be prior or superior hereto; and to pay all costs, fees and expenses of this trust.

8. To keep said Property in good condition and repair, subject to ordinary wear and tear, casualty and condemnation, not to remove or demolish any buildings thereon, to complete or, restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said Property or requiring any alterations or improvements to be made thereon (subject to Trustor's right to contest the validity or applicability of laws or regulations), not to commit or permit waste thereof, not to commit, suffer or permit any act upon said Property in violation of law and/or covenants, conditions and/or restrictions affecting said Property and not to permit or suffer any material alteration of or addition to the buildings or improvements hereafter constructed in or upon said Property without the consent of Beneficiary.

9. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear.

10. Should Trustor fail, after the giving of notice and the expiration of any applicable cure period, to make any payment or do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Following default, after the giving of notice and the expiration of any applicable cure period, Beneficiary or Trustee being authorized to enter upon said Property for such purposes, may commence, appear in and/or defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, may pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto and, in exercising any such powers, may pay necessary expenses, employ counsel and pay its reasonable fees. Notwithstanding the foregoing, in the event of default under this Deed of Trust, Beneficiary may also require Trustor to maintain and submit additional records. Beneficiary shall specify in writing the particular records that must be maintained and the information or reports that must be submitted.

11. Beneficiary shall have the right to pay fire and other property insurance premiums when due should Trustor fail to make any required premium payments. All such payments made by Beneficiary shall be added to the principal sum secured hereby.

12. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, under permission given under this Deed of Trust, with interest from date of expenditure at the highest rate permitted by law.

13. That the funds to be advanced hereunder are to be used in accordance with the Secured Obligations and upon the failure of Trustor, after the giving of notice and the expiration of any applicable cure period, to keep and perform all the covenants, conditions and agreements of said agreements, the principal sum and all arrears of interest and other charges provided for in

the Note shall at the option of Beneficiary of this Deed of Trust become due and payable, anything contained herein to the contrary notwithstanding.

14. Trustor further covenants that it will not voluntarily create, suffer or permit to be created against the property subject to this Deed of Trust any lien or liens except as permitted by the Secured Obligations or otherwise approved by Beneficiary, and further that it will keep and maintain such property free from the claims of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on said premises. Notwithstanding anything to the contrary contained in this Deed of Trust, Trustor shall not be obligated to pay any claims for labor, materials or services which Trustor in good faith disputes and is diligently contesting, provided that Trustor shall, at Beneficiary's written request, within 30 days after the filing of any claim or lien (but in any event, and without any requirement that Beneficiary must first provide a written request, prior to foreclosure) record in the Office of the Ventura County Registrar-Recorder/County Clerk ("**County Recorder**") a surety bond in an amount 1½ times the amount of such claim item to protect against a claim of lien, or provide such other security reasonably satisfactory to Beneficiary.

15. That any and all improvements made or about to be made upon the premises covered by this Deed of Trust, and all plans and specifications, comply with all applicable municipal ordinances and regulations and all other applicable regulations made or promulgated, now or hereafter, by lawful promulgation, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the applicable fire rating or inspection organization, bureau, association or office.

16. Trustor herein agrees to pay to Beneficiary or to the authorized loan servicing representative of Beneficiary a reasonable charge for providing a statement regarding the obligation secured by this Deed of Trust as provided by Section 2954, Article 2, Chapter 2 Title 14, Division 3, of the California Civil Code.

IT IS MUTUALLY AGREED THAT:

17. Should the Property or any part thereof be taken or damaged by reason of any public improvement or condemnation proceeding, or damaged by fire, earthquake or in any other manner, then Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor which are not used to reconstruct, restore or otherwise improve the Property or part thereof that was taken or damaged, and shall be entitled at its option to commence, appear in and prosecute in its own name, any action or proceedings, or to make any compromise or settlement, in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds which are not used to reconstruct, restore or otherwise improve the Property or part thereof that was taken or damaged, including the proceeds of any policies of fire and other insurance affecting said Property, are hereby assigned to Beneficiary. After deducting therefrom all its expenses, including attorneys' fees, the balance of the proceeds which are not used to reconstruct, restore or otherwise improve the Property or part thereof that was taken or damaged, shall be applied to the amount due under the Note. No amount applied to the reduction of the principal shall relieve Trustor from making regular payments as required by the Note.

18. Upon default by Trustor in making any payments provided for in the Note or in this Deed of Trust, or in performing any obligation set forth in any of the Secured Obligations, and if such default is not cured within the respective time provided therefor in Section 34 below, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale, and of written notice of default and of election to cause the Property to be sold, which notice Trustee shall cause to be duly filed for record and Beneficiary may foreclose this Deed of Trust. Beneficiary shall also deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby.

19. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said Property by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. Trustee shall apply the proceeds of sale to payment of (i) the expenses of such sale, together with the reasonable expenses of this trust including therein reasonable Trustee's fees or attorneys' fees for conducting the sale, and the actual cost of publishing, recording, mailing and posting notice of the sale, (ii) the cost of any search and/or other evidence of title procured in connection with such sale and revenue stamps on Trustee's deed, (iii) all sums expended under the terms hereof, not then repaid, with accrued interest at the highest rate permitted by law, (iv) all other sums then secured hereby and (v) the remainder, if any, to the person or persons legally entitled thereto.

20. Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

21. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

22. Upon written request of Beneficiary stating that all sums secured hereby have been paid and all obligations secured hereby have been satisfied, and upon surrender of this Deed

of Trust and the Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters or fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto".

23. The trust created hereby is irrevocable by Trustor.

24. This Deed of Trust applies to, inures to the benefit of, and binds all parties described herein, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall include not only the original Beneficiary hereunder but also any future owner and holder including pledgees, of the Note. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. All obligations of Trustor hereunder are joint and several.

25. 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, Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action of proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

26. The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address set forth on the first page of this Deed of Trust.

27. Trustor agrees at any time and from time to time upon receipt of a written request from Beneficiary, to furnish to Beneficiary detailed statements in writing of income, rents, profits and operating expenses of the premises, and the names of the occupants and tenants in possession, together with the expiration dates of their leases and full information regarding all rental and occupancy agreements, and the rents provided for by such leases and rental and occupancy agreements, and such other information regarding the premises and their use as may be requested by Beneficiary.

28. Trustor agrees that the Note secured by this Deed of Trust is made expressly for the purpose of financing the development and construction of the Affordable Units.

29. Trustor agrees that upon sale or refinancing of the Property or any part thereof, the entire principal balance of the debt secured by this Deed of Trust, plus any accrued but unpaid interest thereon, shall at the option of Beneficiary be immediately due and payable.

30. The obligation to pay the Note is a nonrecourse obligation of Trustor. Neither Trustor, nor any other party, shall have any personal liability for payment of the Note. The sole recourse of Beneficiary with respect to payment of the Note shall be the exercise of its rights against the Property. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by the Note or this Deed of Trust; (b) limit the right of the Beneficiary

to name Trustor as a party defendant in any action or suit for judicial foreclosure and sale under the Note and this Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against Trustor; (c) release or impair the Note or this Deed of Trust; (d) prevent or in any way hinder Beneficiary from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Property or any other instrument securing the Note or as prescribed by law or in equity in case of default; (e) prevent or in any way hinder Beneficiary from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing the Note; (f) relieve Trustor of any of its obligations under any indemnity delivered by Trustor to Beneficiary; or (g) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by the Note and this Deed of Trust. The foregoing provisions of this paragraph are limited by the provision that in the event of the occurrence of a default, Trustor and its successors and assigns shall have personal liability hereunder for any deficiency judgment, but only if and to the extent Trustor, its principals, shareholders, partners or its successors and assigns received rentals, other revenues, or other payments or proceeds in respect of the mortgaged Property, which rentals, other revenues, or other payments or proceeds have not been used for the payment of ordinary and reasonable operating expenses of the mortgaged Property after the occurrence of such default, ordinary and reasonable capital improvements to the mortgaged Property, debt service, real estate taxes in respect of the mortgaged Property and basic management fees, but not incentive fees, payable to an entity or person unaffiliated with Trustor in connection with the operation of the mortgaged Property, which are then due and payable. Notwithstanding the foregoing, Beneficiary:

(a) may obtain a judgment or order (including, without limitation, an injunction) requiring Trustor or any other party to perform (or refrain from) specified acts other than payment of the Note; and

(b) may recover directly from Trustor or any other party for such party's actions that result in:

(i) any damages, costs or expenses incurred by Beneficiary as a result of fraud or any criminal act or acts of Trustor or any member, manager, partner, shareholder, officer, director or employee of Trustor;

(ii) any damages, costs or expenses incurred by Beneficiary as a result of any misappropriation of funds provided for the construction of the Affordable Units, as described in the Loan Agreement and Agreement Containing Covenants, rents and revenues from the operation of the Affordable Units or the portion of the Property on which the Affordable Units are located or proceeds of insurance policies or condemnation proceeds;

(iii) any and all amounts owing by Trustor pursuant to Trustor's indemnification regarding Hazardous Materials pursuant to the Loan Agreement and attachments thereto; and/or

(iv) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that Beneficiary shall pay Trustor's reasonable court costs and attorneys' fees if Trustor is the prevailing party in any such enforcement or collection action).

31. If the rights and liens created by this Deed of Trust shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, then the unsecured portion of such obligations shall be completely performed and paid prior to the performance and payment of the remaining and secured portion of the obligations, and all performance and payments made by Trustor shall be considered to have been performed and paid on and applied first to the complete payment of the unsecured portion of the obligations.

32. (a) Failure or delay by Trustor to perform any term or provision required to be performed under the Secured Obligations or this Deed of Trust constitutes a default under this Deed of Trust.

(b) Beneficiary shall give written notice of default to Trustor, specifying the default complained of by Beneficiary. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by Beneficiary in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by Beneficiary in asserting any of its rights and remedies shall not deprive Beneficiary of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

(d) Subject to subsection (g) below, if a monetary event of default occurs, then prior to exercising any remedies hereunder, Beneficiary shall give Trustor written notice of such default. Trustor shall have a period of 7 days after such notice is given within which to cure the default.

(e) Subject to subsection (g) below, if a non-monetary event of default occurs, then prior to exercising any remedies hereunder, Beneficiary shall give Trustor written notice of such default. If the default is reasonably capable of being cured within 30 days, then Trustor shall have such period to effect a cure prior to exercise of remedies by Beneficiary. If the default is such that it is not reasonably capable of being cured within 30 days, and Trustor (i) initiates corrective action within said period and (ii) diligently, continually and in good faith works to effect a cure as soon as possible, then Trustor shall have such additional time as is reasonably necessary to cure the default prior to any exercise of remedies by Beneficiary, but no longer than

90 days or shorter period of time if Beneficiary's rights become or are about to become materially jeopardized by any failure to cure a default or the default.

(f) Formal notices, demands and communications to Trustor shall be deemed sufficiently given if dispatched by first class mail, registered or certified mail, postage prepaid, return receipt requested, or by electronic facsimile transmission followed by prompt delivery of a "hard" copy, or by personal delivery (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), to the address of Trustor as set forth above. Such written notices, demands and communications may be sent in the same manner to such other addresses as Trustor may from time to time designate by mail. Any notice that is transmitted by electronic facsimile transmission followed by delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt; and any notice that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

(g) There shall be no additional cure periods under this Deed of Trust for defaults under the Secured Obligations. Any cure periods shall be deemed to run concurrently.

[signatures to follow on next page]

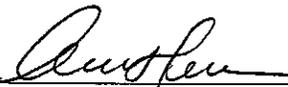
IN WITNESS WHEREOF Trustor has executed this Deed of Trust as of the day and year set forth above.

Executed this _____ day of _____, _____

TRUSTOR:

PASEO NUEVO PARTNERS, L.P. a California limited partnership

By: LAS CORTES, INC., a California nonprofit public benefit corporation, its general partner



Name: Andres Herrera

Title: President

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING

ATTACHMENT 1 TO EXHIBIT E
LOAN AGREEMENT

LEGAL DESCRIPTION OF SITE

Real property in the City of Oxnard, County of Ventura, State of California, described as follows:

[INSERT LEGAL DESCRIPTION FROM EXHIBIT A-1]

EXHIBIT F
TO LOAN AGREEMENT

FORM OF CITY PROMISSORY NOTE SECURED BY DEED OF TRUST

(Loan # _____)

\$5,000,000

DATE: _____

FOR VALUE RECEIVED, Paseo Nuevo Partners, L.P., a California limited partnership ("Borrower"), hereby promises to pay to the order of the City of Oxnard, whose address is 214 South C Street, Oxnard, CA 93030 ("Lender"), a principal amount equal to FIVE MILLION DOLLARS (\$5,000,000), or so much thereof as may be advanced by Lender to Borrower pursuant to the loan agreement of even date herewith between Borrower and Lender, which is incorporated herein by this reference as of fully set forth (the "Loan Agreement").

1. **BORROWER'S OBLIGATION.** This Promissory Note ("Note") evidences the obligation of Borrower to Lender for the repayment of funds loaned to Borrower by Lender to finance Eligible Costs for development of the real property (the "Site") described in the Loan Agreement with affordable rental apartments (the "Project") and is secured by that certain deed of trust of even date herewith executed by Borrower for Lender's benefit (the "Deed of Trust").

2. **INTEREST.** This Note shall bear simple interest for the entire term of the Loan at annual rate of three percent (3%). Interest on the Loan shall be charged on the principal amount outstanding from the date of disbursement until paid, except as otherwise provided herein. At all times when Borrower is in default hereunder by reason of Borrower's failure to pay principal or interest due under this Note or any amounts due under any Loan Agreement, the interest rate on the sums as to which Borrower is in default shall be the lower of the highest rate then allowed by law or five percent (5%) over the prime interest rate announced by Wells Fargo Bank, N.A., as of the date of the default.

3. **AMOUNT AND TIME OF PAYMENT.** Commencing on the first Payment Date and each and every Payment Date thereafter, the Loan shall be paid to City in annual installments from Residual Receipts as provided in Section 3.5 of the Loan Agreement. Any unpaid sums due on any Payment Date shall accrue until paid in full. Unless sooner due pursuant to this Note or any other Loan Documents, the unpaid principal of the Loan and all accrued interest thereon shall be due and payable on the earliest of: (a) thirty-one (31) years from the date of this Note (or such longer term as may be required by a Permitted Mortgage senior to the City Deed of Trust or the tax credit investor); (b) the 55-year term of the Agreement Containing Covenants; (c) the date any portion of, or interest in, the Site or Improvements is sold, transferred, assigned, conveyed, financed or refinanced without the prior written consent of City; or (d) a material default by Paseo Nuevo Partners under the Loan Agreement, this Note or under any of the Loan Documents which has not been cured as provided herein or therein.

4. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this Note and the Loan Agreement are payable at the office of Lender as set forth above, or at such other place as Lender may designate to Borrower in writing from time to time, in any coin or currency of the United States which on the respective dates of payment thereof shall be legal tender for the payment of public and private debts.

5. **APPLICATION OF PAYMENTS.** All payments received on account of this Note shall be first applied to accrued interest and the remainder shall be applied to the reduction of principal; except that if Lender shall have made additional advances under the terms of the Deed of Trust and such advances have not been repaid, any payments received by Lender, at its option, may be applied first to the repayment of such advances and interest thereon.

6. **PREPAYMENT OF LOAN.** Borrower shall have the right to prepay the Loan in whole or in part. No prepayment penalty will be charged to Borrower for payment of all or any portion of this Note.

7. **WAIVERS.** Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorsers of this Note.

8. **DEFAULT.** This Note is secured by the Deed of Trust. All covenants, conditions and agreements contained in the Deed of Trust and the Loan Agreement are hereby made a part of the Note. Upon any default, Lender may exercise any other right or remedy permitted under the Loan Agreement, this Note or any other agreement or at law or in equity.

9. **LIMITED RECOURSE.** The obligation to repay the Loan is a nonrecourse obligation of Borrower. Neither Borrower, nor any other party, shall have any personal liability for repayment of the Loan. The sole recourse of Lender with respect to repayment of the Loan shall be the exercise of its rights against the Site as described in the Deed of Trust and related security documents. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by this Note or the Deed of Trust; (b) limit the right of the Lender to name Borrower as a party defendant in any action or suit for judicial foreclosure and sale under this Note and the Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against Borrower; (c) release or impair this Note or the Deed of Trust; (d) prevent or in any way hinder Lender from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Site or any other instrument securing this Note or as prescribed by law or in equity in case of default; (e) prevent or in any way hinder Lender from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing this Note; (f) relieve Borrower of any of its obligations under any indemnity delivered by Borrower to Lender; or (g) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by this Note and the Deed of Trust. The foregoing provisions of this paragraph are limited by the provision that in the event of the

occurrence of any default, Borrower and its successors and assigns shall have personal liability hereunder for any deficiency judgment, but only if and to the extent Borrower, its principals, shareholders, partners or its successors and assigns received rentals, other revenues, or other payments or proceeds in respect of the mortgaged Site, which rentals, other revenues, or other payments or proceeds have not been used for the payment of ordinary and reasonable operating expenses of the mortgaged Site after the occurrence of such default, ordinary and reasonable capital improvements to the mortgaged Site, debt service, real estate taxes in respect of the mortgaged Site and basic management fees, but not incentive fees, payable to an entity or person unaffiliated with Borrower in connection with the operation of the mortgaged Site, which are then due and payable. Notwithstanding the foregoing, Lender:

(a) may obtain a judgment or order (including, without limitation, an injunction) requiring Borrower or any other party to perform (or refrain from) specified acts other than repayment of the Loan; and

(b) may recover directly from Borrower or any other party for such party's actions that result in:

(i) any damages, costs or expenses incurred by Lender as a result of fraud or any criminal act or acts of Borrower or any member, manager, partner, shareholder, officer, director or employee of Borrower;

(ii) any damages, costs or expenses incurred by Lender as a result of any misappropriation of funds provided for the construction of the Project, as described in the Loan Agreement, rents and revenues from the operation of the Project or the portion of the Site on which the Project is located or proceeds of insurance policies or condemnation proceeds;

(iii) any and all amounts owing by Borrower pursuant to Borrower's indemnification regarding Hazardous Materials pursuant to the Loan Agreement and attachments thereto; and/or

(iv) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that Lender shall pay Borrower's reasonable court costs and attorneys' fees if Borrower is the prevailing party in any such enforcement or collection action).

10. **CONSENTS AND APPROVALS.** Any consent or approval of Lender required under this Note shall not be unreasonably withheld.

11. **NOTICES.** Except as may be otherwise specifically provided herein, any approval, notice, direction, consent request or other action by Lender shall be in writing and may be communicated to Borrower at the principal office of Borrower set forth above, or at such other place or places as Borrower shall designate in writing, from time to time, for the receipt of communications from Lender.

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

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

14. **DEFINITIONS.** Capitalized terms not defined in this Note shall have the same meaning as defined terms in the Loan Agreement.

15. **GOVERNING LAW.** This Note shall be interpreted under and governed by the laws of the State of California.

16. **SEVERABILITY.** Every provision of this Note is intended to be severable. If any provision of this Note 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.

17. **TIME.** Time is of the essence in this Note.

18. **WAIVER.** Any waiver by Lender of any obligation in this Note must be in writing. No waiver shall be implied from any failure of Borrower to take, or any delay or failure by Lender to take action on any breach or default by Borrower or to pursue any remedy allowed under this Note or applicable law. Any extension of time granted to Borrower to perform any obligation under this Note shall not operate as a waiver or release from any of its obligations under this Note. Borrower hereby waives all defenses and pleas on the grounds of any extensions of the time for repayment of any amounts due under this Note, unless Lender has granted such extensions in writing. Consent by Lender to any act or omission by Borrower shall not be construed to be consent to any other act or omission or to waive the requirement for Lender's written consent to future waivers.

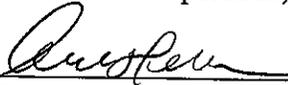
19. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to the Note must be in writing, and shall be made only if executed by both Borrower and Lender.

Executed _____, 20____, at _____, California.

BORROWER:

PASEO NUEVO Partners, L.P.,
a California limited partnership

By: LAS CORTES, INC., a California nonprofit
public benefit corporation, its general partner



Name: Andres Herrera

Title: President

EXHIBIT G
TO LOAN AGREEMENT

FORM OF DEED OF TRUST FOR PAYMENT OF CITY LOAN

Recording Requested By and
When Recorded Mail to:

City of Oxnard
Community Development Department
214 South C Street
Oxnard, California 93030
Attention: Community Development Dir.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

No recording fee pursuant to California Government Code Section 27383

**DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE
FILING RECORDED AGAINST PROPERTY
(WITH ASSIGNMENT OF RENTS)**

This Deed of Trust, Security Agreement and Fixture Filing Recorded Against Property (With Assignment of Rents) is made as of _____, 20____ by PASEO NUEVO PARTNERS, L.P., a California limited partnership ("**Trustor**"), whose address is Paseo Nuevo Partners, L.P., c/o Las Cortes, Inc., 435 South "D" Street, Oxnard, CA 93030 , Attention: William E. Wilkins, to _____ TITLE INSURANCE COMPANY ("**Trustee**"), for the benefit of the City OF OXNARD ("**Beneficiary**"), whose address is City of Oxnard, 214 South C Street, Oxnard, California 93030, Attention: Community Development Director.

Witnesseth: That Trustor IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee, its successors and assigns, in Trust, with POWER OF SALE TOGETHER WITH RIGHT OF ENTRY AND POSSESSION the following property (the "**Trust Estate**"):

(a) That certain real property in the City of Oxnard, County of Ventura, State of California more particularly described in Exhibit "A" attached hereto and by this reference made a part hereof (the "**Site**");

(b) All buildings, structures and other improvements now or in the future located or to be constructed on the Site (the "**Improvements**");

(c) All tenements, hereditaments, appurtenances, privileges, franchises and other rights and interests now or in the future benefitting or otherwise relating to the Site or the Improvements, including easements, rights-of-way and development rights (the

“Appurtenances”). (The Appurtenances, together with the Site and the Improvements, are hereafter referred to collectively as the **“Real Property”**);

(d) Subject to the assignment to Beneficiary set forth in Paragraph 4 below, all rents, issues, income, revenues, royalties and profits now or in the future payable with respect to or otherwise derived from the Trust Estate or the ownership, use, management, operation leasing or occupancy of the Trust Estate, including those past due and unpaid;

(e) All present and future right, title and interest of Trustor in and to all inventory, equipment, fixtures and other goods (as those terms are defined in Division 9 of the California Uniform Commercial Code (the **“UCC”**), and whether existing now or in the future) now or in the future located at, upon or about, or affixed or attached to or installed in, the Real Property, or used or to be used in connection with or otherwise relating to the Real Property or the use, development, construction, maintenance, management, operation, marketing, leasing or occupancy of the Real Property, including furniture, furnishings, machinery, appliances, building materials and supplies, generators, boilers, furnaces, water tanks, heating ventilating and air conditioning equipment and all other types of tangible personal property of any kind or nature, and all accessories, additions, attachments, parts, proceeds, products, repairs, replacements and substitutions of or to any of such property, but not including personal property that is donated to Trustor (**“Goods”**, and together with the Real Property, the **“Property”**); and

(f) All present and future right, title and interest of Trustor in and to all accounts, general intangibles, chattel paper, deposit accounts, money, instruments and documents (as those terms are defined in the UCC) and all other agreements, obligations, rights and written material (in each case whether existing now or in the future) now or in the future relating to or otherwise arising in connection with or derived from the Property or any other part of the Trust Estate or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing, occupancy, sale or financing of the Property or any other part of the Trust Estate, including (to the extent applicable to the Property or any other portion of the Trust Estate): (i) permits, approvals and other governmental authorizations, (ii) improvement plans and specifications and architectural drawings, (iii) agreements with contractors, subcontractors, suppliers, project managers, supervisors, designers, architects, engineers, sales agents, leasing agents, consultants and property managers, (iv) warranties, guaranties, indemnities and insurance policies, together with insurance payments and unearned insurance premiums, (v) claims, demands, awards, settlements, and other payments arising or resulting from or otherwise relating to any insurance or any loss or destruction of, injury or damage to, trespass on or taking, condemnation (or conveyance in lieu of condemnation) or public use of any of the Property, (vi) license agreements, service and maintenance agreements, purchase and sale agreements and purchase options, together with advance payments, security deposits and other amounts paid to or deposited with Trustor under any such agreements, (vii) reserves, deposits, bonds, deferred payments, refunds, rebates, discounts, cost savings, escrow proceeds, sale proceeds and other rights to the payment of money, trade names, trademarks, goodwill and all other types of intangible personal property of any kind or nature and (viii) all supplements, modifications, amendments, renewals, extensions, proceeds, replacements and substitutions of or to any of such property (**“Intangibles”**).

Trustor further grants to Trustee and Beneficiary, pursuant to the UCC, a security interest in all present and future right, title and interest of Trustor in and to all Goods and Intangibles and all of the Trust Estate described above in which a security interest may be created under the UCC (collectively, the **"Personal Property"**). This Deed of Trust constitutes a security agreement under the UCC, conveying a security interest in the Personal Property to Trustee and Beneficiary. Trustee and Beneficiary shall have, in addition to all rights and remedies provided herein, all the rights and remedies of a "secured party" under the UCC and other applicable California law. Trustor covenants and agrees that this Deed of Trust constitutes a fixture filing under Section 9313 and 9402(6) of the UCC.

FOR THE PURPOSE OF SECURING, in such order of priority as Beneficiary may elect, the following:

(1) due, prompt and complete observance, performance and discharge of each and every condition, obligation, covenant and agreement contained in the following:

(a) a promissory note in the original principal amount of FIVE MILLION DOLLARS (\$5,000,000.00) evidencing the Loan, executed by Trustor ("Borrower" therein) of even date herewith ("**Note**");

(b) the Loan Agreement, dated as of _____, 20_____, by and between Trustor ("Paseo Nuevo Partners" therein) and Beneficiary ("City" therein), pertaining to the obligations for the Property therein ("**Project**");

(c) the Agreement Containing Covenants dated as of _____, 20____ between Trustor ("Owner" therein) and Beneficiary ("City" therein) ("**Agreement Containing Covenants**");

(2) payment of indebtedness of the Trustor to the Beneficiary not to exceed FIVE MILLION DOLLARS (\$5,000,000.00) according to the terms of the Note;

(3) All present and future obligations of Trustor to Beneficiary under this Deed of Trust; and

(4) All additional present and future obligations of Trustor to Beneficiary under any other agreement or instrument (whether existing now or in the future) which states that it is, or such obligations are, secured by this Deed of Trust; in each case as such other obligations may from time to time be supplemented, modified, amended, renewed and extended, whether evidenced by new or additional documents.

The Note, Loan Agreement, and Agreement Containing Covenants (collectively referred to as the "**Secured Obligations**") and all of their terms are incorporated herein by reference and this conveyance shall secure any and all extensions, amendments, modifications or renewals thereof however evidenced, and additional advances evidenced by any note reciting that it is secured hereby. Any capitalized term that is not otherwise defined in this Deed of Trust shall have the meaning ascribed to such term in the Loan Agreement.

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

1. That Trustor shall pay the Note at the time and in the manner provided therein, and perform the obligations of Trustor as set forth in the Secured Obligations at the time and in the manner respectively provided therein.

2. Reserved.

3. That the Secured Obligations are incorporated in and made a part of this Deed of Trust. Upon default of a Secured Obligation, and after the giving of notice and the expiration of any applicable cure period, Beneficiary, at its option, may declare the whole of the indebtedness secured hereby to be due and payable.

4. That all rents, profits and income from the property covered by this Deed of Trust are hereby assigned to Beneficiary for the purpose of discharging the debt hereby secured. Permission is hereby given to Trustor so long as no default exists hereunder after the giving of notice and the expiration of any applicable cure period, to collect such rents, profits and income for use in accordance with the provisions of the Loan Agreement.

5. That upon default hereunder or under the aforementioned agreements, and after the giving of notice and the expiration of any applicable cure period, Beneficiary shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the property described herein and operate same and collect the rents, profits and income therefrom.

6. That Trustor will keep the Improvements to be constructed on the Site insured against loss by fire and such other hazards, casualties, and contingencies as may reasonably be required in writing from time to time by Beneficiary, and all such insurance shall be evidenced by standard fire and extended coverage insurance policy or policies. In no event shall the amounts of coverage be less than 100% of the insurable value of the Property. Such policies shall be endorsed with standard mortgage clause with loss payable to Beneficiary and certificates thereof together with copies of original policies shall be deposited with Beneficiary.

7. To pay, prior to delinquency, any taxes and assessments affecting said Property; to pay, when due, all encumbrances, charges and liens, with interest, on said Property or any part thereof which appear to be prior or superior hereto; and to pay all costs, fees and expenses of this trust.

8. To keep said Property in good condition and repair, subject to ordinary wear and tear, casualty and condemnation, not to remove or demolish any buildings thereon, to complete or, restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said Property or requiring any alterations or improvements to be made thereon (subject to Trustor's right to contest the validity or applicability of laws or regulations), not to commit or permit waste thereof, not to commit,

suffer or permit any act upon said Property in violation of law and/or covenants, conditions and/or restrictions affecting said Property and not to permit or suffer any material alteration of or addition to the buildings or improvements hereafter constructed in or upon said Property without the consent of Beneficiary.

9. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear.

10. Should Trustor fail, after the giving of notice and the expiration of any applicable cure period, to make any payment or do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Following default, after the giving of notice and the expiration of any applicable cure period, Beneficiary or Trustee being authorized to enter upon said Property for such purposes, may commence, appear in and/or defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, may pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto and, in exercising any such powers, may pay necessary expenses, employ counsel and pay its reasonable fees. Notwithstanding the foregoing, in the event of default under this Deed of Trust, Beneficiary may also require Trustor to maintain and submit additional records. Beneficiary shall specify in writing the particular records that must be maintained and the information or reports that must be submitted.

11. Beneficiary shall have the right to pay fire and other property insurance premiums when due should Trustor fail to make any required premium payments. All such payments made by Beneficiary shall be added to the principal sum secured hereby.

12. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, under permission given under this Deed of Trust, with interest from date of expenditure at the highest rate permitted by law.

13. That the funds to be advanced hereunder are to be used in accordance with the Secured Obligations and upon the failure of Trustor, after the giving of notice and the expiration of any applicable cure period, to keep and perform all the covenants, conditions and agreements of said agreements, the principal sum and all arrears of interest and other charges provided for in the Note shall at the option of Beneficiary of this Deed of Trust become due and payable, anything contained herein to the contrary notwithstanding.

14. Trustor further covenants that it will not voluntarily create, suffer or permit to be created against the property subject to this Deed of Trust any lien or liens except as permitted by the Secured Obligations or otherwise approved by Beneficiary, and further that it will keep and maintain such property free from the claims of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on said

premises. Notwithstanding anything to the contrary contained in this Deed of Trust, Trustor shall not be obligated to pay any claims for labor, materials or services which Trustor in good faith disputes and is diligently contesting, provided that Trustor shall, at Beneficiary's written request, within 30 days after the filing of any claim or lien (but in any event, and without any requirement that Beneficiary must first provide a written request, prior to foreclosure) record in the Office of the Ventura County Registrar-Recorder/County Clerk ("**County Recorder**") a surety bond in an amount 1½ times the amount of such claim item to protect against a claim of lien, or provide such other security reasonably satisfactory to Beneficiary.

15. That any and all improvements made or about to be made upon the premises covered by this Deed of Trust, and all plans and specifications, comply with all applicable municipal ordinances and regulations and all other applicable regulations made or promulgated, now or hereafter, by lawful promulgation, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the applicable fire rating or inspection organization, bureau, association or office.

16. Trustor herein agrees to pay to Beneficiary or to the authorized loan servicing representative of Beneficiary a reasonable charge for providing a statement regarding the obligation secured by this Deed of Trust as provided by Section 2954, Article 2, Chapter 2 Title 14, Division 3, of the California Civil Code.

IT IS MUTUALLY AGREED THAT:

17. Should the Property or any part thereof be taken or damaged by reason of any public improvement or condemnation proceeding, or damaged by fire, earthquake or in any other manner, then Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor which are not used to reconstruct, restore or otherwise improve the Property or part thereof that was taken or damaged, and shall be entitled at its option to commence, appear in and prosecute in its own name, any action or proceedings, or to make any compromise or settlement, in connection with such taking or damage. All such compensation, awards, damages, rights of action and proceeds which are not used to reconstruct, restore or otherwise improve the Property or part thereof that was taken or damaged, including the proceeds of any policies of fire and other insurance affecting said Property, are hereby assigned to Beneficiary. After deducting therefrom all its expenses, including attorneys' fees, the balance of the proceeds which are not used to reconstruct, restore or otherwise improve the Property or part thereof that was taken or damaged, shall be applied to the amount due under the Note. No amount applied to the reduction of the principal shall relieve Trustor from making regular payments as required by the Note.

18. Upon default by Trustor in making any payments provided for in the Note or in this Deed of Trust, or in performing any obligation set forth in any of the Secured Obligations, and if such default is not cured within the respective time provided therefor in Section 34 below, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale, and of written notice of default and of election to cause the Property to be sold, which notice Trustee shall cause to be duly filed for

record and Beneficiary may foreclose this Deed of Trust. Beneficiary shall also deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby.

19. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said Property by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. Trustee shall apply the proceeds of sale to payment of (i) the expenses of such sale, together with the reasonable expenses of this trust including therein reasonable Trustee's fees or attorneys' fees for conducting the sale, and the actual cost of publishing, recording, mailing and posting notice of the sale, (ii) the cost of any search and/or other evidence of title procured in connection with such sale and revenue stamps on Trustee's deed, (iii) all sums expended under the terms hereof, not then repaid, with accrued interest at the highest rate permitted by law, (iv) all other sums then secured hereby and (v) the remainder, if any, to the person or persons legally entitled thereto.

20. Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

21. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

22. Upon written request of Beneficiary stating that all sums secured hereby have been paid and all obligations secured hereby have been satisfied, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters or fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto".

23. The trust created hereby is irrevocable by Trustor.

24. This Deed of Trust applies to, inures to the benefit of, and binds all parties described herein, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall include not only the original Beneficiary hereunder but also any future owner and holder including pledgees, of the Note. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. All obligations of Trustor hereunder are joint and several.

25. 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, Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action of proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

26. The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address set forth on the first page of this Deed of Trust.

27. Trustor agrees at any time and from time to time upon receipt of a written request from Beneficiary, to furnish to Beneficiary detailed statements in writing of income, rents, profits and operating expenses of the premises, and the names of the occupants and tenants in possession, together with the expiration dates of their leases and full information regarding all rental and occupancy agreements, and the rents provided for by such leases and rental and occupancy agreements, and such other information regarding the premises and their use as may be requested by Beneficiary.

28. Trustor agrees that the Loan secured by this Deed of Trust is made expressly for the purpose of financing the development and construction of the Affordable Units.

29. Trustor agrees that upon sale or refinancing of the Property (except for a refinance which is a Permitted Mortgage in accordance with the provisions of the Loan Agreement, as such terms are referenced in the Note) or any part thereof, the entire principal balance of the debt secured by this Deed of Trust, plus any accrued but unpaid interest thereon, shall at the option of Beneficiary be immediately due and payable.

30. The obligation to repay the Loan 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 with respect to repayment of the Loan shall be the exercise of its rights against the Property. Provided, however, that the foregoing shall not (a) constitute a waiver of any obligation evidenced by the Note or this Deed of Trust; (b) limit the right of the Beneficiary to name Trustor as a party defendant in any action or suit for judicial foreclosure and sale under the Note and this Deed of Trust or any action or proceeding hereunder so long as no judgment in the nature of a deficiency judgment shall be asked for or taken against Trustor; (c) release or impair the Note or this Deed of Trust; (d) prevent or in any way hinder Beneficiary from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, any other remedy against the mortgaged Property or any other instrument securing the Note or as prescribed by law or in equity in case of default; (e) prevent or

in any way hinder Beneficiary from exercising, or constitute a defense, an affirmative defense, a counterclaim, or other basis for relief in respect of the exercise of, its remedies in respect of any deposits, insurance proceeds, condemnation awards or other monies or other collateral or letters of credit securing the Note; (f) relieve Trustor of any of its obligations under any indemnity delivered by Trustor to Beneficiary; or (g) affect in any way the validity of any guarantee or indemnity from any person of all or any of the obligations evidenced and secured by the Note and this Deed of Trust. The foregoing provisions of this paragraph are limited by the provision that in the event of the occurrence of a default, Trustor and its successors and assigns shall have personal liability hereunder for any deficiency judgment, but only if and to the extent Trustor, its principals, shareholders, partners or its successors and assigns received rentals, other revenues, or other payments or proceeds in respect of the mortgaged Property, which rentals, other revenues, or other payments or proceeds have not been used for the payment of ordinary and reasonable operating expenses of the mortgaged Property after the occurrence of such default, ordinary and reasonable capital improvements to the mortgaged Property, debt service, real estate taxes in respect of the mortgaged Property and basic management fees, but not incentive fees, payable to an entity or person unaffiliated with Trustor in connection with the operation of the mortgaged Property, which are then due and payable. Notwithstanding the foregoing, Beneficiary:

(a) may obtain a judgment or order (including, without limitation, an injunction) requiring Trustor or any other party to perform (or refrain from) specified acts other than repayment of the Loan; and

(b) may recover directly from Trustor or any other party for such party's actions that result in:

(i) any damages, costs or expenses incurred by Beneficiary as a result of fraud or any criminal act or acts of Trustor or any member, manager, partner, shareholder, officer, director or employee of Trustor;

(ii) any damages, costs or expenses incurred by Beneficiary as a result of any misappropriation of funds provided for the construction of the Affordable Units, as described in the Loan Agreement and Agreement Containing Covenants, rents and revenues from the operation of the Affordable Units or the portion of the Property on which the Affordable Units are located or proceeds of insurance policies or condemnation proceeds;

(iii) any and all amounts owing by Trustor pursuant to Trustor's indemnification regarding Hazardous Materials pursuant to the Loan Agreement and attachments thereto; and/or

(iv) all court costs and attorneys' fees reasonably incurred in enforcing or collecting upon any of the foregoing exceptions (provided that Beneficiary shall pay Trustor's reasonable court costs and attorneys' fees if Trustor is the prevailing party in any such enforcement or collection action).

31. If the rights and liens created by this Deed of Trust shall be held by a court of competent jurisdiction to be invalid or unenforceable as to any part of the obligations described herein, then the unsecured portion of such obligations shall be completely performed and paid prior to the performance and payment of the remaining and secured portion of the obligations, and all performance and payments made by Trustor shall be considered to have been performed and paid on and applied first to the complete payment of the unsecured portion of the obligations.

32. (a) Failure or delay by Trustor to perform any term or provision required to be performed under the Secured Obligations or this Deed of Trust constitutes a default under this Deed of Trust.

(b) Beneficiary shall give written notice of default to Trustor, specifying the default complained of by Beneficiary. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

(c) Any failures or delays by Beneficiary in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies. Delays by Beneficiary in asserting any of its rights and remedies shall not deprive Beneficiary of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

(d) Subject to subsection (g) below, if a monetary event of default occurs, then prior to exercising any remedies hereunder, Beneficiary shall give Trustor written notice of such default. Trustor shall have a period of 7 days after such notice is given within which to cure the default.

(e) Subject to subsection (g) below, if a non-monetary event of default occurs, then prior to exercising any remedies hereunder, Beneficiary shall give Trustor written notice of such default. If the default is reasonably capable of being cured within 30 days, then Trustor shall have such period to effect a cure prior to exercise of remedies by Beneficiary. If the default is such that it is not reasonably capable of being cured within 30 days, and Trustor (i) initiates corrective action within said period and (ii) diligently, continually and in good faith works to effect a cure as soon as possible, then Trustor shall have such additional time as is reasonably necessary to cure the default prior to any exercise of remedies by Beneficiary, but no longer than 90 days or shorter period of time if Beneficiary's rights become or are about to become materially jeopardized by any failure to cure a default or the default.

(f) Formal notices, demands and communications to Trustor shall be deemed sufficiently given if dispatched by first class mail, registered or certified mail, postage prepaid, return receipt requested, or by electronic facsimile transmission followed by prompt delivery of a "hard" copy, or by personal delivery (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), to the address of Trustor as set forth above. Such written notices, demands and communications may be sent in the same manner to such other addresses as Trustor may from time to time designate by mail. Any notice that is transmitted by electronic facsimile transmission followed by

delivery of a "hard" copy, shall be deemed delivered upon its transmission; any notice that is personally delivered (including by means of professional messenger service, courier service such as United Parcel Service or Federal Express, or by U.S. Postal Service), shall be deemed received on the documented date of receipt; and any notice that is sent by registered or certified mail, postage prepaid, return receipt required shall be deemed received on the date of receipt thereof.

(g) There shall be no additional cure periods under this Deed of Trust for defaults under the Secured Obligations. Any cure periods shall be deemed to run concurrently.

[signatures to follow on next page]

IN WITNESS WHEREOF Trustor has executed this Deed of Trust as of the day and year set forth above.

TRUSTOR:

PASEO NUEVO PARTNERS, L.P. a California limited partnership

By: LAS CORTES, INC., a California nonprofit public benefit corporation, its general partner



Name: Andres Herrera

Title: President

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING

ATTACHMENT 1 TO EXHIBIT G
LOAN AGREEMENT

LEGAL DESCRIPTION OF SITE

Real property in the City of Oxnard, County of Ventura, State of California, described as follows:

[INSERT LEGAL DESCRIPTION FROM EXHIBIT A-1]

EXHIBIT H
TO LOAN AGREEMENT

FORM OF AGREEMENT CONTAINING COVENANTS

Recording Requested By and
When Recorded Mail to:

City of Oxnard
Community Development Department
214 South C Street
Oxnard, California 93030
Attention: Community Development Dir.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

No recording fee pursuant to California Government Code Section 27383

**AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY
(INCLUDING RENTAL RESTRICTIONS)**

This AGREEMENT CONTAINING COVENANTS AFFECTING REAL PROPERTY (INCLUDING RENTAL RESTRICTIONS) (this "**Regulatory Agreement**") is entered into as of _____, 20____, by and between the CITY OF OXNARD ("**City**"), and PASEO NUEVO PARTNERS, L.P., a California limited partnership ("**Paseo Nuevo Partners**"), with reference to the following:

A. Paseo Nuevo Partners has acquired certain real property located within the HERO Redevelopment Project (as more particularly described in Attachment 1 hereto and incorporated herein by this reference) (the "**Site**") for the development of affordable rental apartments (the "**Project**").

B. The Project is the subject of that certain Loan Agreement entered into by and between City and Paseo Nuevo Partners, dated _____, _____ (the "**Loan Agreement**") which imposes certain obligations on Paseo Nuevo Partners.

C. Any capitalized term not otherwise defined herein shall have the meaning ascribed to such term in the Loan Agreement. Unless a different meaning is apparent from the context or is specified elsewhere in this Agreement, the following words and terms shall have the same meaning given or attributed to them in the California Health and Safety Code and in Title 25 of the California Code of Administrative Regulations: (a) adjusted income; (b) annual income; (c) housing cost; (d) family; (e) household; (f) persons and families of low and moderate income; (g) monthly adjusted income; (h) monthly income; (i) operating expenses; and (j) affordable rent (as expressly defined in California Health and Safety Code section 50053).

NOW, THEREFORE CITY AND PASEO NUEVO PARTNERS COVENANT AND AGREE AS FOLLOWS:

1. Purpose of this Regulatory Agreement. This Regulatory Agreement is in furtherance of and is subject to requirements of the provisions of the California Community Redevelopment Law (California Health and Safety Code Sections 33000 *et seq.*) and the Loan Agreement.

2. Use Restrictions. As a material part of the consideration for the Loan Agreement, Paseo Nuevo Partners covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof or any interest therein) that Paseo Nuevo Partners, such successors, and such assigns shall perform all of the following:

- a. Develop the Affordable Units (hereinafter described in Paragraph 3 herein) in accordance with the terms and conditions of the Loan Agreement and this Regulatory Agreement.
- b. Maintain the Project and the Site in accordance with the Loan Agreement and this Regulatory Agreement.
- c. Not permit the use of the Affordable Units or the Site for any purpose other than permitted by the Loan Agreement and this Regulatory Agreement without the prior written approval of City.
- d. Refrain from making any assignment or transfer in violation of the Loan Agreement.
- e. Comply with the following standards:
 - (1) Municipal Code Compliance. Neither the Site nor any part of it shall be used and no building or other improvements shall be constructed, maintained, or used for any purposes other than those which is allowed by City's Municipal Code and development permits, if any, issued therefor.
 - (2) Prohibited Operations and Nuisances. No use or operation will be made, conducted or permitted on or with respect to all or any part of the Site, which use or operation is obnoxious to or out of harmony with the development, including, without limitation, the following:
 - (i) Any public or private nuisance (as defined in California Civil Code Section 3479) connected with business operations conducted on the Site;
 - (ii) Any obnoxious odor;
 - (iii) Any noxious, toxic or caustic or corrosive fuel or gas;

- (iv) Any dust, dirt or particulate matter in excessive quantities;
- (v) Any unusual fire, explosion or other damaging or dangerous hazard;
- (vi) Any warehouse, other than that which is incidental to the primary commercial use or business operation, and any assembly, manufacturing, distillation, refining, smelting, agriculture or mining operation;
- (vii) Any pawn shop or retail sales operation involving second-hand merchandise;
- (viii) Any adult business or facility as defined and regulated in City's Municipal Code. Such uses include, without limitation, massage establishments, adult news racks, adult bookstores, adult motion picture theaters and paraphernalia businesses;
- (ix) Any gun shop or retail sales operation for which the main commercial use or business operation is the sale of guns;
- (x) Any retail sales operation for which the average price of merchandise is \$5 or less, unless otherwise first approved in writing by the Director;
- (xi) Any use or operation which is incompatible with the proposed uses or operations at the Site as reasonably determined by City; and
- (xii) Any noise or sound that is objectionable due to intermittence, beat frequency, shrillness or loudness.

3. Affordable Housing Requirements. As a material part of the consideration for the Loan Agreement, Paseo Nuevo Partners covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof or any interest therein) that:

- a. All seventy-two (72) of the Affordable Units shall be exclusively made available to and occupied by persons and families of low and moderate income and shall be subject to the following restrictions, prohibitions and obligations:
 - (1) At least thirty-five (35) of the Affordable Units shall be exclusively made available to and occupied by persons and families of low and very low income at Affordable Rents, as follows: twenty-one (21) of the Affordable Units shall be exclusively made available to and occupied by persons and families of very low income at Affordable Rents, and fourteen (14) of the Affordable Units shall be exclusively made available to and occupied by persons and families of either low or very low income at Affordable Rents.

- (2) The remaining thirty-seven (37) Affordable Units shall be exclusively made available to and occupied by persons and families of low or moderate income at Affordable Rents.
- (3) The bedroom mix and occupancy (i.e., the number of units and income of occupants according to the number of bedrooms) of the Affordable Units required to be restricted in occupancy and made affordable to very low, low, and moderate income households shall, at a minimum, be as follows

| | No. of Bedrooms | | | | Total Units |
|-----------------|-----------------|--------|--------|-------------|-------------|
| | 1 Bdrm | 2 Bdrm | 3 Bdrm | Unspecified | |
| Very Low Income | 0 | 16 | 5 | 0 | 21 |
| Low Income | 0 | 8 | 6 | 0 | 14 |
| Moderate Income | 0 | 2 | 2 | 33 | 37 |
| Total | 0 | 26 | 13 | 33 | 72 |

- b. One (1) Affordable Unit may be used as a “manager’s unit,” which unit shall be occupied by a hereinafter defined Eligible Household employed as an on-site manager of the Project at a rate that is affordable to such household.
- c. Paseo Nuevo Partners will establish a preference for rental of the units to the extent permitted by law. Preference, to the extent permitted by law, will be established in the order listed below:
 - (1) Families who may be displaced by other projects located within Oxnard involving Commission or City assistance.
 - (2) Families who reside in Oxnard; and
 - (3) Families who work in Oxnard, but reside elsewhere.

Paseo Nuevo Partners will maintain a waiting list of all persons who apply to become tenants, with information sufficient to rank such persons.
- d. Paseo Nuevo Partners shall not permit any of the Affordable Units to be used on a transient basis (i.e., on a term of less than 30 days) and shall not permit the rental of any Affordable Unit for a period of less than 30 days.
- e. Paseo Nuevo Partners shall use commercially reasonable efforts to rent all Affordable Units so that any rent-ready Affordable Unit does not become or

remain vacant for any longer period than is necessary in the ordinary course of business.

- f. Paseo Nuevo Partners shall maintain complete and accurate records pertaining to (1) the occupancy of each Affordable Unit and (2) the maintenance, management, operation, preservation and repair of each Affordable Unit. Paseo Nuevo Partners agrees to permit the Director to inspect and audit the books and records of Paseo Nuevo Partners pertaining to the Affordable Units. In furtherance of this requirement, Paseo Nuevo Partners shall require tenants or managers to submit to the Director an annual report (the “**Annual Report**”) required by California Health and Safety Code section 33418, as amended from time to time, or any successor statute thereto. The Annual Report shall contain for each Affordable Unit the rental rate and the income and family size of the occupants. The income information required by Section 33418 and this subsection shall be supplied by each tenant in a certified statement on a form provided by the Director.
- g. Paseo Nuevo Partners shall manage and operate the Affordable Units in accordance with the Management Plan (as hereinafter defined).
- h. Prior to occupancy of any of the Affordable Units, Paseo Nuevo Partners shall submit a written plan describing the proposed Affordable Unit tenant selection process to City for its approval or disapproval thereof in writing within the times set forth in the Schedule of Performance. To the extent permitted by law, the tenant selection policies and criteria shall require that preference be given first to persons and families who reside in Oxnard; and second to households who work in Oxnard, but reside elsewhere, subject to conformance with applicable federal and state fair housing requirements.
- i. Prior to occupancy of any of the Affordable Units, Paseo Nuevo Partners shall submit the proposed rental rate of each Affordable Unit to City for its approval or disapproval.
- j. The maximum incomes of residential tenants eligible to rent the Affordable Units shall be determined on the basis of the Area Median Income, subject to the following:
 - (i) Examination of Income Eligibility. All proposed tenants must be income-eligible (“Eligible Household”).
 - (ii) Maximum Rents. The maximum rents that may be charged to tenants for the Affordable Units, including a reasonable utility allowance, shall not exceed the Affordable Rent.
- k. “Affordable Rent” shall mean for purposes of this Regulatory Agreement and the Loan Agreement:

- (1) As to very low income households, Affordable Rent shall not exceed one-twelfth (1/12) times the product of 30% times 50% of area median income adjusted for family size appropriate to the Affordable Unit.
 - (2) As to low income households, Affordable Rent shall not exceed one-twelfth (1/12) times the product of 30% times 60% of area median income adjusted for family size appropriate to the Affordable Unit.
 - (3) As to moderate income households, Affordable Rent shall not exceed one-twelfth (1/12) times the product of 30% times 110% of area median income adjusted for family size appropriate to the Affordable Unit.
1. "Household Income" shall mean for purposes of this Regulatory Agreement and the Loan Agreement:
- (1) "Very Low Income Household" means a household whose annual income does not exceed fifty percent (50%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area as determined by HCD with adjustments for smaller and larger households.
 - (2) "Low Income Household" means a household whose annual income does not exceed eighty percent (80%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Primary Metropolitan Statistical Area as determined by the California Department of Housing and Community Development ("HCD") with adjustments for smaller and larger households.
 - (3) "Moderate Income Household" means a household whose annual income does not exceed one-hundred twenty percent (120%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Primary Metropolitan Statistical Area as determined by the California Department of Housing and Community Development ("HCD") with adjustments for smaller and larger households.

4. Maintenance. As a material part of the consideration for the Loan Agreement, Paseo Nuevo Partners covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof or any interest therein) that Paseo Nuevo Partners, its successors and assigns shall maintain, repair and operate the Site, the Project and all other improvements constructed or to be constructed thereon (including landscaping, lighting and signage) in a first-quality condition, free of debris, waste and graffiti, and in compliance with the terms of the Redevelopment Plan and the following:

- a. All improvements on the Site shall be maintained in first-quality condition in accordance with the custom and practice generally applicable to comparable projects in Ventura County, and in conformance and compliance with all plans,

drawings and related documents approved by the Commission and City pursuant to the Loan Agreement, and all conditions adopted by the City or the City Planning Department or Planning City (as the same may be amended from time to time), including painting and cleaning of all exterior surfaces of all private improvements and public improvements to the curbline.

- b. Landscape maintenance shall be consistent with the custom and practice generally applicable to comparable projects in Ventura County, including, without limitation, watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning, trimming and shaping of trees and shrubs to maintain a natural and healthy appearance, road visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.
- c. Clean-up maintenance shall be consistent with the custom and practice generally applicable to comparable projects in Ventura County, including, without limitation, maintenance of all sidewalks, paths and other paved areas in a clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping; clearance and cleaning of all areas maintained prior to the end of each day on which maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.
- d. If the City gives written notice to Paseo Nuevo Partners that the maintenance or condition of the Site, the Project, or any portion thereof or any improvements thereon does not comply with this Regulatory Agreement and such notice describes the deficiencies, Paseo Nuevo Partners shall correct, remedy or cure the deficiency within thirty (30) days following the submission of such notice, unless the notice states that the deficiency is an urgent matter relating to public health and safety in which case Paseo Nuevo Partners shall cure, or shall cause the cure of, the deficiency within forty-eight (48) hours following the submission of the notice. In the event Paseo Nuevo Partners fails to maintain the Site, the Project, or any portion thereof or any improvements thereon in accordance with this Regulatory Agreement and fails to cure any deficiencies within the applicable period described above, the City shall have, in addition to any other rights and remedies hereunder, the right to maintain the Site, the Project, or any portion thereof or any improvements thereon or to contract for the correction of any deficiencies, and Paseo Nuevo Partners shall be responsible for payment of all such costs actually and reasonably incurred by the City and such payment shall constitute a lien on the Site until paid by the Paseo Nuevo Partners pursuant to California Civil Code section 2881. Any such lien shall be subordinate and subject to Permitted Mortgages.

5. Management. As a material part of the consideration for the Loan Agreement, Paseo Nuevo Partners covenants and agrees (for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof or any interest therein) that Paseo Nuevo Partners, and its successors or assigns, shall manage and operate the Affordable Units in accordance with a management plan prepared by Paseo Nuevo Partners and submitted to and approved in writing by the Director as provided herein (the "**Management Plan**"), including such amendments as may be requested by Paseo Nuevo Partners and approved by the Director from time to time. The Management Plan shall include, at a minimum, the following components:

- a. Management Agent. Paseo Nuevo Partners shall submit to the Director for review and approval in writing the name and qualifications of the proposed management agent. The Director shall not unreasonably withhold the approval of the proposed management agent if the same is acceptable to Paseo Nuevo Partners' tax credit investor; and
- b. Management Plan. Paseo Nuevo Partners shall submit to the Director for review and approval in writing a copy of the proposed Management Plan specifying the amount of the management fee, and the relationship and division of responsibilities between Paseo Nuevo Partners and management agent.

6. Non-Discrimination. Paseo Nuevo Partners covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that there shall be no discrimination against or segregation of any person, or groups of persons, on account of sex, marital status, race, color, religion, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or the Project, and Paseo Nuevo Partners itself (for any person claiming under or through it) shall not 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 of the Site or the Project.

7. Non-Discrimination Clause. Paseo Nuevo Partners, on behalf of itself and its successors, assigns, and each successor in interest to the Site or any part thereof, hereby covenants and agrees that Paseo Nuevo Partners, and its successors or assigns, shall refrain from restricting the rental, sale or lease of the Site or the Project, or any portion thereof, on the basis of sex, marital status, race, color, religion, creed, ancestry or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

- a. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section

12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

Notwithstanding the above paragraph, with respect to familial status, the above paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in the above paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall also apply to the above paragraph.

- b. In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

Notwithstanding the above paragraph, with respect to familial status, the above paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in the above paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the California Government Code shall apply to the above paragraph.

- c. In contracts: The foregoing provisions shall be binding upon and shall obligate the contracting party or parties and any subcontracting party or parties, or other transferees under the Loan Agreement.

8. Effect and Duration of Covenants. The covenants established in this Regulatory Agreement and any amendments hereto duly approved by the parties hereto shall, without regard to technical classification and designation, be binding on Paseo Nuevo Partners and any successor in interest to the Site, or any part thereof, the Project or any part thereof for the benefit and in favor of Commission, the City and their respective successors and assigns. All of the terms and provisions and covenants of this Regulatory Agreement shall remain in effect for fifty-five (55) years following the date of the issuance of a final certificate of occupancy for the entire Project, except that the prohibitions against non-discrimination shall remain in effect in perpetuity.

9. Beneficiary of Covenants. Commission and City are each deemed the beneficiaries of the terms and provisions of this Regulatory Agreement and the covenants herein, both for and in their own respective right and for the purposes of protecting the interests of the community and other parties, public or private, for whose benefit this Regulatory Agreement and the covenants running with the land have been provided. Commission and City shall each have the right, if the covenants are breached, to exercise all available rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Regulatory Agreement and covenants are entitled.

10. Covenants Run with the Land. The covenants and agreements contained herein shall run with the land.

11. Enforcement. If a violation of any of the covenants or provisions of this Regulatory Agreement occurs, then Commission or City, without regard to whether Commission or City is an owner of any land or interest therein to which these covenants relate, may each, institute and prosecute any proceedings at law or in equity to abate, prevent or enjoin any such violation or attempted violation or to compel specific performance by Paseo Nuevo Partners of its obligations hereunder. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the provisions hereof or to obtain relief against or recover for the continuation or repetition of such breach or violations or any similar breach or violation hereof at any later time.

Paseo Nuevo Partners, L.P.
c/o Las Cortes, Inc.
435 South "D" Street
Oxnard, CA 93030
Attn: William E. Wilkins, Chief Executive Officer
Facsimile: 805.385.8041
Phone: 805.385.7969

12. Counterparts. This Regulatory Agreement may be executed in counterparts, each of which when so executed shall be deemed an original, and all of which, when taken together, shall constitute but one and the same instrument.

13. Waivers. All waivers of the provisions of this Regulatory Agreement must be in writing and executed by the appropriate authorities of City or Paseo Nuevo Partners, and all amendments hereto must be in writing and executed by the appropriate authorities of City and Paseo Nuevo Partners.

14. Inspection of Books and Records. City has the right at all reasonable times to inspect, audit and copy, at no cost to City, the books and records of Paseo Nuevo Partners pertaining to the Site and each Affordable Unit as pertinent to the purposes of this Regulatory Agreement, upon reasonable advance notice provided to Paseo Nuevo Partners.

[remainder of page left intentionally blank]

[signatures on following pages]

IN WITNESS WHEREOF, City and Paseo Nuevo Partners have caused this instrument to be executed on their behalf by their respective officers hereunto duly authorized, as of the date first set forth hereinabove.

CITY OF OXNARD

By: _____
Dr. Thomas E. Holden, Mayor

ATTEST:

Daniel Martinez, City Clerk

APPROVED AS TO FORM:

Alan Holmberg, City Attorney

[remainder of page left intentionally blank]

[signatures on following pages]

PASEO NUEVO Partners, L.P.,
a California limited partnership

By: LAS CORTES, INC., a California nonprofit
public benefit corporation, its general partner



Name: Andres Herrera
Title: President

THIS DOCUMENT MUST BE NOTARIZED FOR RECORDING

ATTACHMENT 1 TO EXHIBIT H
FORM OF AGREEMENT CONTAINING COVENANTS

LEGAL DESCRIPTION OF SITE

Real property in the City of Oxnard, County of Ventura, State of California, described as follows:

[INSERT LEGAL DESCRIPTION FROM EXHIBIT A-1]

EXHIBIT I
TO LOAN AGREEMENT

FORM OF NOTICE OF AFFORDABILITY RESTRICTIONS

Recording Requested By and
When Recorded Mail to:

City of Oxnard
Community Development Department
214 South C Street
Oxnard, California 93030
Attention: Community Development
Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Notice of Affordability Restrictions on Transfer of Property

NOTICE IS HEREBY GIVEN that pursuant to California Health and Safety Code section 33334.3(f)(3), as amended effective January 1, 2008, the City of Oxnard ("City") is recording this Notice of Affordability Restrictions on Transfer of Property ("Notice") with regard to the property located within the City of Oxnard, California, and more particularly described in Attachment 1 hereto and incorporated herein by reference ("Site").

A. The Site is subject to that certain Affordable Housing Predevelopment and Construction Loan Agreement dated as of _____, 2011 ("Loan Agreement"), by and between City and Paseo Nuevo Partners, L.P., a California limited partnership ("Paseo Nuevo Partners"), and that certain Agreement Containing Covenants Affecting Real Property dated as of _____, _____ ("Regulatory Agreement") and recorded concurrently herewith. Any capitalized terms not defined herein shall have the meaning ascribed to them in the Loan Agreement.

B. Except as otherwise provided in this Notice, use of the Site and occupancy of the Affordable Units shall be restricted as follows:

1. All seventy-two (72) of the Affordable Units shall be exclusively made available to and occupied by persons and families of low and moderate income and shall be subject to the following restrictions, prohibitions and obligations:

- a. At least thirty-five (35) of the Affordable Units shall be exclusively made available to and occupied by persons and families of low and very low income at Affordable Rents, as follows: twenty-one (21) of the Affordable Units shall be exclusively made available to and occupied by persons and families of very low income at Affordable Rents, and fourteen (14) of the Affordable Units shall be exclusively made available to and occupied by persons and families of either low or very low income at Affordable Rents.
- b. The remaining thirty-seven (37) Affordable Units shall be exclusively made available to and occupied by persons and families of low or moderate income at Affordable Rents.
- c. The bedroom mix and occupancy (i.e., the number of units and income of occupants according to the number of bedrooms) of the Affordable Units required to be restricted in occupancy and made affordable to very low, low, and moderate income households shall, at a minimum, be as follows

[TABLE ON FOLLOWING PAGE]

| | No. of Bedrooms | | | | Total Units |
|-----------------|-----------------|--------|--------|-------------|-------------|
| | 1 Bdrm | 2 Bdrm | 3 Bdrm | Unspecified | |
| Very Low Income | 0 | 16 | 5 | 0 | 21 |
| Low Income | 0 | 8 | 6 | 0 | 14 |
| Moderate Income | 0 | 2 | 2 | 33 | 37 |
| Total | 0 | 26 | 13 | 33 | 72 |

2. One (1) Affordable Unit may be used as a “manager’s unit,” which unit shall be occupied by a hereinafter defined Eligible Household employed as an on-site manager of the Project at a rate that is affordable to such household.

3. Paseo Nuevo Partners will establish a preference for rental of the units to the extent permitted by law. Preference, to the extent permitted by law, will be established in the order listed below:

- a. Families who may be displaced by other projects located within Oxnard involving Commission or City assistance.
- b. Families who reside in Oxnard; and
- c. Families who work in Oxnard, but reside elsewhere.

Paseo Nuevo Partners will maintain a waiting list of all persons who apply to become tenants, with information sufficient to rank such persons.

4. Paseo Nuevo Partners shall not permit any of the Affordable Units to be used on a transient basis (i.e., on a term of less than 30 days) and shall not permit the rental of any Affordable Unit for a period of less than 30 days.

5. Paseo Nuevo Partners shall use commercially reasonable efforts to rent all Affordable Units so that any rent-ready Affordable Unit

does not become or remain vacant for any longer period than is necessary in the ordinary course of business.

6. Paseo Nuevo Partners shall maintain complete and accurate records pertaining to (a) the occupancy of each Affordable Unit and (b) the maintenance, management, operation, preservation and repair of each Affordable Unit. Paseo Nuevo Partners agrees to permit the Director to inspect and audit the books and records of Paseo Nuevo Partners pertaining to the Affordable Units. In furtherance of this requirement, Paseo Nuevo Partners shall require tenants or managers to submit to the Director an annual report (the "Annual Report") required by California Health and Safety Code section 33418, as amended from time to time, or any successor statute thereto. The Annual Report shall contain for each Affordable Unit the rental rate and the income and family size of the occupants. The income information required by Section 33418 and this subsection shall be supplied by each tenant in a certified statement on a form provided by the Director.

7. Paseo Nuevo Partners shall manage and operate the Affordable Units in accordance with the Management Plan (as hereinafter defined).

8. Prior to occupancy of any of the Affordable Units, Paseo Nuevo Partners shall submit a written plan describing the proposed Affordable Unit tenant selection process to City for its approval or disapproval thereof in writing within the times set forth in the Schedule of Performance. To the extent permitted by law, the tenant selection policies and criteria shall require that preference be given first to persons and families who reside in Oxnard; and second to households who work in Oxnard, but reside elsewhere, subject to conformance with applicable federal and state fair housing requirements.

9. Prior to occupancy of any of the Affordable Units, Paseo Nuevo Partners shall submit the proposed rental rate of each Affordable Unit to City for its approval or disapproval.

10. The maximum incomes of residential tenants eligible to rent the Affordable Units shall be determined on the basis of the Area Median Income, subject to the following:

- a. Examination of Income Eligibility. All proposed tenants must be income-eligible (“Eligible Household”).
- b. Maximum Rents. The maximum rents that may be charged to tenants for the Affordable Units, including a reasonable utility allowance, shall not exceed the Affordable Rent.

11. “Affordable Rent” shall mean:

- a. As to very low income households, Affordable Rent shall not exceed one-twelfth (1/12) times the product of 30% times 50% of area median income adjusted for family size appropriate to the Affordable Unit.
- b. As to low income households, Affordable Rent shall not exceed one-twelfth (1/12) times the product of 30% times 60% of area median income adjusted for family size appropriate to the Affordable Unit.
- c. As to moderate income households, Affordable Rent shall not exceed one-twelfth (1/12) times the product of 30% times 110% of area median income adjusted for family size appropriate to the Affordable Unit.

12. “Household Income” shall mean:

- a. “Very Low Income Household” means a household whose annual income does not exceed fifty percent (50%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area as determined by HCD with adjustments for smaller and larger households.
- b. “Low Income Household” means a household whose annual income does not exceed eighty percent (80%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Primary Metropolitan Statistical Area as determined by the California Department of Housing and

Community Development ("HCD") with adjustments for smaller and larger households.

- c. "Moderate Income Household" means a household whose annual income does not exceed one-hundred twenty percent (120%) of the median income for the Oxnard-Thousand Oaks-Ventura, CA Primary Metropolitan Statistical Area as determined by the California Department of Housing and Community Development ("HCD") with adjustments for smaller and larger households.

C. The current owner of the Site is Paseo Nuevo Partners, L.P., a California limited partnership.

D. This Notice is recorded for the purpose of providing notice only and it in no way modifies the provisions of the Loan Agreement or the Regulatory Agreement.

CITY OF OXNARD

Date: _____

By: _____

APPROVED AS TO FORM:

By: _____

Alan Holmberg
City Attorney

ATTACHMENT 1 TO EXHIBIT I

LOAN AGREEMENT

LEGAL DESCRIPTION OF SITE

Real property in the City of Oxnard, County of Ventura, State of California,
described as follows:

APN: _____

[INSERT LEGAL DESCRIPTION FROM EXHIBIT A-1]

EXHIBIT J
TO LOAN AGREEMENT

FORM OF ASSIGNMENT OF ARCHITECT'S CONTRACT

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

FOR GOOD AND VALUABLE CONSIDERATION, receipt of which is hereby acknowledged Paseo Nuevo Partners, 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 of _____, 20____ (the "Loan Agreement") between Borrower and the City of Oxnard ("City"), relating to certain real property located in the City of Oxnard, County of Ventura, California (the "Site"), as described in the Loan Agreement, hereby assigns and transfers to 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 _____, ("Architect"), (2) Borrower's right, title and interest in that certain agreement dated _____, _____, between Borrower and Architect, a true and complete copy of which is attached hereto and incorporated herein by reference as Attachment 1 (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 Attachment 2 and incorporated herein by this reference.

Neither this Assignment nor any action or actions on the part of City shall constitute an assumption by City of any of Borrower's obligations under the Contract unless and until 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, 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 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 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 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 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 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 City, and (d) it will indemnify City against any liabilities, losses, costs and expenses, including reasonable attorneys' fees, which may be incurred by City as a result of the exercise of its rights under this Assignment.

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 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 City thereunder, or enforce all rights of Borrower under the Contract, Borrower hereby irrevocably constitutes and appoints the Agency its true and lawful attorney in Borrower's name or in City's name or otherwise to take all such action. The exercise of City's rights hereunder shall not constitute a waiver of any of the remedies of City under the Loan Agreement or any other document or agreement or otherwise existing at law or otherwise.

Executed this _____ day of _____, 20 _____

PASEO NUEVO Partners, L.P.,
a California limited partnership

By: LAS CORTES, INC., a California nonprofit
public benefit corporation, its general partner



Name: Andres Herrera
Title: President

ATTACHMENT 1 TO EXHIBIT J

(ARCHITECT'S CONTRACT)

[To Be Inserted]

ATTACHMENT 2 TO EXHIBIT J
LOAN AGREEMENT

CONSENT AND CERTIFICATE

Pursuant to that certain assignment of Architect's Contract and Plans and Specifications and Permits (the "Assignment") executed by Paseo Nuevo Partners, L.P., a California limited partnership ("Borrower") on _____, _____, 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 Oxnard ("City"), and to each and all of the terms and conditions of such attached assignment and confirms to 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 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 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 City. The undersigned agrees that in the event of any default by Borrower under the Contract, the undersigned will give written notice to City thereof and City shall have the right, but not the obligation, to cure said default within sixty (60) days from City's receipt of such notice.

The undersigned further agrees that in the event 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, 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 City or such successor or assign, and the undersigned will perform its obligations in conformity with the Contract for the benefit of City, its successors or assigns.

In order for the Borrower to induce City to enter into the Loan Agreement and make the advances contemplated therein, the undersigned certifies to City as follows:

- (a) As represented in the Plans, the Project 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 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.

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 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, City shall not exercise any rights in the subcontracts which are hereby assigned. The undersigned acknowledges that 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: _____

ARCHITECT:

By: _____
Print Name _____
Title _____