

**County of Monterey Neighborhood Stabilization Program
Acquisition and Rehabilitation Loan Agreement**

THIS AGREEMENT, MADE THIS ___ day of _____ 201_, by and between the County of Monterey, hereinafter referred to as "LENDER", and Cottage & Castles Real Estate, Inc., a California corporation, hereinafter referred to as "BORROWER", is subject to the following:

WHEREAS, the United States Government adopted the Wall Street Reform and Consumer Protection Act of 2010, American Recovery and Reinvestment Act of 2009 ("ARRA") and the Housing and Economic Recovery Act of 2008 ("HERA"), which included a program of grants known as the Neighborhood Stabilization Program ("NSP");

WHEREAS, the purpose of the NSP3 is to assist in the stabilization of housing prices and neighborhoods by, among other things, providing funds for the acquisition, rehabilitation subsequent re-sale of foreclosed homes to a non-profit housing manager for rental to income-qualified households;

WHEREAS, LENDER has received funds pursuant to a Grant from the United States Department of Housing and Urban Development to implement the NSP3 in targeted areas within the cities of Marina and Soledad;

WHEREAS, LENDER's NSP3 Action Plan identifies the purchase, rehabilitation, and resale of homes to qualified non-profit housing providers for rental to very-low and low income households as the best way to meet the national NSP3 objectives in Monterey County;

WHEREAS, LENDER has selected BORROWER through a Request for Proposals to act as LENDER's Master Consultant in coordinating and implementing activities pursuant to the LENDER's NSP3 Action Plan;

WHEREAS, LENDER and Borrower have entered into a contract to undertake certain activities in its role as Master Consultant;

WHEREAS, pursuant to that County of Monterey Standard Agreement entered into between LENDER and BORROWER dated September ___, 2012, BORROWER has agreed to acquire foreclosed homes on behalf of, and at the direction of LENDER, and

WHEREAS, the purpose of this Acquisition and Rehabilitation Loan Agreement is to specify the terms and conditions by which LENDER will provide acquisition funds to BORROWER in order to implement the County's NSP3 Action Plan.

NOW, THEREFORE, it is mutually agreed that the terms and conditions of this loan for the property located at _____, Soledad, CA 93960 (APN: _____) (the "Property") shall be as follows:

1. DESCRIPTION OF LOAN

- A. This Acquisition and Rehabilitation Loan will be evidenced by a Promissory Note executed by BORROWER and will be secured by a Deed of Trust or equivalent security instrument on the Property, in the form and substance satisfactory to LENDER. The Note shall not exceed the face amount of the loan approved by the LENDER.
- B. The rehabilitation work to be completed with the loan proceeds is described in Exhibit 1 to this Acquisition and Rehabilitation Loan Agreement.
- C. No interest shall be accrued or charged on the Note.
- D. That loan amount is determined to be: ___ Dollars and __ Cents (\$) ("Loan Amount").
- E. The LENDER will forgive the entire amount of this loan when the Property is resold to a qualified non-profit rental housing manager approved by LENDER.

2. CANCELLATION AND ACCELERATION OF AMOUNTS DUE

- A. In addition to, and not in derogation of the provisions of the Note or the security agreement for the loan, BORROWER agrees that the entire principal amount of the Note, together with any other amounts secured by the security instrument shall become immediately due and payable without notice of demand upon the cancellation of this loan pursuant to the terms of this Agreement. This Note shall also become immediately due and payable upon:
 - i. The appointment of a receiver of liquidation, whether voluntary or involuntary, for BORROWER concerning any part of property of BORROWER.
 - ii. The filing of a petition by or against BORROWER under the provisions of any state insolvency laws, or under the provisions of the Bankruptcy Act of 1898, as amended, or
 - iii. The making by BORROWER of an assignment for the benefit of BORROWER's creditors with respect to the Property, unless such assignment is approved by LENDER.
- B. BORROWER further agrees that LENDER is authorized to declare at its option any part of the entire amount of such indebtedness immediately due and payable upon the occurrence of any of the following events:
 - i. The complete divestiture or sale of BORROWER's interest in the Property which is the subject of the loan whether voluntary or involuntary;
 - ii. The substantial destruction of the improvements on such Property by any means: and,
 - iii. Failure to maintain insurance on the Property according to the provisions of Section 3 of this Agreement.
- C. In the event that LENDER declares the Loan Amount due and payable pursuant to the

terms of this Agreement, LENDER and BORROWER agree that BORROWER will, forthwith and with no delay, deliver fee simple title to the Property as repayment of the Loan Amount.

LENDER's failure to exercise any of its rights hereunder shall not constitute a waiver thereof.

3. INSURANCE

A policy of insurance sufficient to compensate for any damages to the Property, naming BORROWER and LENDER as co-insureds, and otherwise acceptable to LENDER, must be in effect simultaneously with the acquisition of the Property. Said insurance policy is to be purchased and maintained by BORROWER and, by its terms, is to provide LENDER with at least thirty (30) days actual notice of any modification or termination of coverage.

4. ATTORNEY'S FEES

BORROWER agrees that, in the event that any action, or suit or proceeding be commenced by LENDER to compel the performance of this Loan or to seek damages for breach thereof, BORROWER will pay reasonable attorney's fees for LENDER to be awarded and fixed by the court and to be taxed as costs and to be included in the judgment therein rendered.

5. AMENDMENTS

Any amendments or modifications to this Loan Agreement must be in writing and signed by both parties.

LENDER:
County of Monterey

By: _____
Linda B. Guillis
Interim Economic Development Director

BORROWER:
Cottage & Castles Real Estate, Inc., a California corporation

By: _____