

**NSP3 LOAN AGREEMENT**

Between

COUNTY OF MONTEREY

and

ROCKROSE HOUSING CORPORATION

dated \_\_\_\_\_, 2012

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NSP3 LOAN AGREEMENT  
Rockrose Gardens

This NSP3 Loan Agreement (the "Agreement") is dated \_\_\_\_\_, 2013, and is between the County of Monterey, a political subdivision of the State of California (the "County"), and Rockrose Housing Corporation, a California nonprofit public benefit corporation ("Borrower").

RECITALS

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

B. The County has received Neighborhood Stabilization Program 3 funds ("NSP3 Funds") from the United States Department of Housing and Urban Development ("HUD") under Section 1497 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "NSP3 Act"), which amends Title III of Division B of the Housing and Economic Recovery Act of 2008. The NSP3 Funds must be used by the County in accordance with 75 F.R. 64322 (Notice of Formula Allocations and Program Requirements for Neighborhood Stabilization Program Formula Grants) (the "NSP3 Regulations"). Together, the NSP3 Act and the NSP3 Regulations are the "NSP3 Requirements."

C. Except as otherwise prescribed by the NSP3 Requirements, the statutory and regulatory provisions that govern the Community Development Block Grant ("CDBG") program under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 *et seq.*), as amended (including those at 24 CFR part 570 subparts A, C, D, J, K, and O, as appropriate), apply with equal force to the NSP3 Funds.

D. The Borrower intends to purchase and redevelop approximately 3.3 acres of certain real property located at the former Fort Ord in the City of Marina, County of Monterey, State of California, develop twenty-one (21) units of multifamily housing, and operate the units as affordable rental housing to be rented to persons with mental illness, reserving one unit as a manager's unit. The new buildings and all other improvements to the Property, including all landscaping, roads and parking spaces, are referred to herein as the "Improvements", or as the "Development."

E. Borrower desires to borrow from the County, and the County desires to lend to Borrower Three Hundred Twenty-Five Thousand Dollars (\$325,000) in NSP3 Funds (the "Loan") to finance pre-development costs of the Development. Redevelopment of the Development will increase the supply of affordable rental housing in Monterey County.

F. The Loan is (i) evidenced by the Note, and (ii) secured by the Corporate Guaranty.

G. Due to the assistance provided to Borrower through the Loan, the County is classifying seven (7) units in the Development as NSP3-assisted units (each such unit, a "County-Assisted Unit").

H. The County has concluded that actions contemplated by this Agreement are exempt from County review of the California Environmental Quality Act (Public Resources Code Sections 21000 et seq.) ("CEQA") as the project is located in the City of Marina ("City").

I. In accordance with the National Environmental Policy Act of 1969, as amended (42 U.S.C. 4321-4347) ("NEPA"), the Department of Housing and Urban Development has completed and approved all applicable environmental review for the activities proposed to be undertaken under this Agreement.

NOW THEREFORE, the parties agree as follows:

## AGREEMENT

### ARTICLE 1 DEFINITIONS AND EXHIBITS

#### Section 1.1 Definitions.

The following terms have the following meanings:

- (a) "Agreement" means this NSP3 Loan Agreement.
- (b) "Approved Development Budget" means the proforma development budget, including sources and uses of funds, as approved by the County, and attached hereto and incorporated herein as Exhibit A.
- (c) "Borrower" has the meaning set forth in the first paragraph of this Agreement.
- (d) "CDBG" has the meaning set forth in Paragraph C of the Recitals.
- (e) "CEQA" has the meaning set forth in Paragraph H of the Recitals.
- (f) "City" has the meaning set forth in Paragraph H of the Recitals.
- (g) "County" has the meaning set forth in the first paragraph of this Agreement.
- (h) "County-Assisted Units" has the meaning set forth in Paragraph G of the Recitals.
- (i) "Default Rate" means the lesser of the maximum rate permitted by law and ten percent (10%) per annum.

- (j) "Development" has the meaning set forth in Paragraph D of the Recitals.
- (k) "Event of Default" has the meaning set forth in Section 6.1.
- (l) "HUD" has the meaning set forth in Paragraph B of the Recitals.
- (m) "Improvements" has the meaning set forth in Paragraph D of the Recitals.
- (n) "Loan" has the meaning set forth in Paragraph E of the Recitals.
- (o) "Loan Documents" means this Agreement, the Note, and the Corporate

Guaranty.

- (p) "Marketing Plan" has the meaning set forth in Section 3.12(a).
- (q) "NEPA" has the meaning set forth in Paragraph I of the Recitals.
- (r) "Note" means the Promissory Note of even date herewith that evidences Borrower's obligation to repay the Loan.

- (s) "NSP3 Act" has the meaning set forth in Paragraph B of the Recitals.
- (t) "NSP3 Funds" has the meaning set forth in Paragraph B of the Recitals.
- (u) "NSP3 Regulations" has the meaning set forth in Paragraph B of the

Recitals.

- (v) "NSP3 Requirements" has the meaning set forth in Paragraph B of the

Recitals.

(w) "Regulatory Agreement" means the Regulatory Agreement and Declaration of Restrictive Covenants, between the County and Borrower related to the Loan, to be recorded against the Project concurrent with the close of construction financing for the development.

- (x) "Section 3" has the meaning set forth in Section 4.6(b)(x) below.

(y) "Term" means the period of time that commences on the date of this Agreement, and expires, unless sooner terminated in accordance with this Agreement, on the first (1<sup>st</sup>) anniversary of the date of this Agreement which is \_\_\_\_\_, 2014.

Section 1.2 Exhibits. The following exhibits are attached to this Agreement and incorporated into this Agreement by this reference:

Exhibit A: Approved Development Budget

ARTICLE 2  
LOAN PROVISIONS

Section 2.1 Loan. Upon satisfaction of the conditions set forth in Section 2.5 of this Agreement, the County shall lend to Borrower the Loan for the purposes set forth in Section 2.3 of this Agreement. Borrower's obligation to repay the Loan is evidenced by the Note.

Section 2.2 Interest.

(a) Subject to the provisions of Subsection (b) below, the outstanding principal balance of the Loan shall bear no interest.

(b) Upon the occurrence of an Event of a Default, interest on the Loan will begin to accrue, beginning on the date of such occurrence and continue until the date the Loan is repaid in full or the Event of Default is cured, at the Default Rate.

Section 2.3 Use of Loan Funds.

(a) Borrower shall use the Loan for reimbursement of predevelopment costs of the Development incurred after March 16, 2011, consistent with the Approved Development Budget.

(b) Borrower may not use the Loan proceeds for any other purposes without the prior written consent of the County.

Section 2.4 Security. Borrower shall secure its obligation to repay the Loan, as evidenced by the Note and by the Corporate Guaranty provided by Interim, Inc.

Section 2.5 Conditions Precedent to Disbursement of Loan Funds. The County is not obligated to disburse any portion of the Loan, or to take any other action under the Loan Documents unless all of the following conditions have been and continue to be satisfied:

(a) There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default under this Agreement;

(b) Borrower has delivered to the County a copy of a corporate resolution authorizing Borrower to obtain the Loan and execute the Loan Documents;

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

(d) Borrower has furnished the County with evidence of the insurance coverage meeting the requirements of Section 4.14 below;

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

(f) All environmental review necessary for the acquisition of the Property and redevelopment of the Development has been completed, and Borrower has provided the County evidence of compliance with all NEPA requirements and mitigation measures; and

(g) The County has received a written draw request from Borrower, including (i) certification that the proposed uses of funds is consistent with the Approved Development Budget, (ii) the amount of funds needed, and, (iii) where applicable, a copy of the bill or invoice covering a cost incurred.

Section 2.6 Repayment Schedule.

(a) Deferred Payment. Repayment of the Loan shall be deferred for the Term of the Loan. Borrower shall make one payment in an amount equal to the outstanding balance of the Loan at the end of the Term.

(b) Payment in Full. The unpaid principal balance hereunder, together with accrued interest thereon, is due and payable no later than the date that is (i) the earlier of the first (1<sup>st</sup>) anniversary of the date of this Note, which is \_\_\_\_\_, 2014; or (ii) an Event of Default.

(c) Conversion to Grant. In the event Borrower closes its construction financing prior to the expiration of the Term, the Loan shall immediately become a grant to the Borrower at the close of construction financing and no repayment shall be required. In such event, the Regulatory Agreement shall be executed by the Borrower and the County, and recorded against the Property.

Section 2.7 Non-Recourse. Except as provided below, Borrower will not have any direct or indirect personal liability for payment of the principal of, and interest on, the Loan. The sole recourse of the County with respect to the principal of, or interest on, the Note will be to the Corporate Guaranty provided by Interim, Inc.; provided, however, that nothing contained in the foregoing limitation of liability limits or impairs the enforcement of all the rights and remedies of the County against all such security for the Note, or impairs the right of County to assert the unpaid principal amount of the Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation to repay the principal and interest on the Note. Except as hereafter set forth; nothing contained herein is intended to relieve Borrower of its obligation to indemnify the County under Section 7.4 of this Agreement, or liability for loss or damage of any kind resulting from waste, fraud or willful misrepresentation.



ARTICLE 3  
ACQUISITION AND PREDEVELOPMENT

Section 3.1 Acquisition. Borrower shall complete the acquisition of the Development in accordance with the Approved Development Budget.

Section 3.2 Permits and Approvals. Borrower shall obtain all permits and approvals necessary for the redevelopment of the Development no later than August 31, 2013, or by such later date that the County approves in writing.

Section 3.3 Scope of Work. Borrower shall cause the predevelopment of the Development to be completed in a timely manner and no later than August 31, 2013, or by such later date that the County approves in writing.

Section 3.4 Commencement of Construction. Borrower shall cause the Commencement of Construction of the Development to occur no later than August 31, 2013, or such later date that the County approves in writing. For the purposes of this Agreement, "Commencement of Construction" means the date set for the start of redevelopment of the Development in the notice to proceed issued by Borrower to Borrower's general contractor.

Section 3.5 Completion of Construction. Borrower shall diligently prosecute redevelopment of the Development to completion, and shall cause the redevelopment of the Development to be completed no later than December 31, 2014, or such later date that the County approves in writing.

Section 3.6 Prevailing Wages.

(a) Davis Bacon. Borrower shall cause redevelopment of the Development to be in compliance with the prevailing wage requirements of the federal Davis-Bacon Act (40 U.S.C. 3141-3148). Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the County against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to the prevailing wage provisions of the federal Davis-Bacon Act and implementing rules and regulations in connection with the redevelopment of the Development or any other work undertaken or in connection with the Property.

(b) State Prevailing Wages. To the extent applicable, Borrower shall pay and shall cause the contractor and subcontractors to pay prevailing wages in the redevelopment of the Development as those wages are determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices as required by California Labor Code Sections 1777.5 et seq., and the implementing regulations of the Department of Industrial Relations (the "DIR"). Borrower shall and shall cause the contractor and subcontractors to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and implementing regulations of the DIR. Borrower shall and shall cause the contractor and subcontractors to keep and retain such records as are necessary to determine if such prevailing wages have been paid as required pursuant to California Labor Code Section 1720 et seq., and apprentices have been employed are required by California Labor Code Section 1777.5 et seq. Copies of the currently applicable . . .

current per diem prevailing wages are available from DIR. During the redevelopment of the Development, Borrower shall or shall cause the contractor to post at the Property the applicable prevailing rates of per diem wages. Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the County against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices pursuant to California Labor Code Section 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the redevelopment of the Development or any other work undertaken or in connection with the Property.

Section 3.7 Equal Opportunity. During the redevelopment of the Development, discrimination on the basis of race, color, creed, religion, age, sex, sexual orientation, marital status, national origin, ancestry, or disability in the hiring, firing, promoting, or demoting of any person engaged in the construction work is not allowed.

Section 3.8 Minority and Women-Owned Contractors; Local Hiring.

(a) Borrower shall use its best efforts to afford minority-owned and women-owned business enterprises the maximum practicable opportunity to participate in the redevelopment of the Development. Borrower shall, at a minimum, notify applicable minority-owned and women-owned business firms located in Monterey County of bid opportunities for the redevelopment of the Development. A listing of minority owned and women owned businesses located in the County and neighboring counties is available from the County. Documentation of such notifications must be maintained by Borrower and available to the County upon request.

(b) Pursuant to Section II.U. of the NSP3 Regulations, Borrower shall, to the maximum extent feasible, provide for the hiring of employees who reside in the "vicinity" of the Development and shall contract with "small businesses" that are owned and operated by persons residing in the vicinity of the Development. For the purposes of this Section, "vicinity" means a neighborhood determined by the County to be an area of greatest need, which includes the City of Marina, and "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act.

Section 3.9 Progress Reports. Until such time as Borrower has repaid the loan, Borrower shall provide the County with monthly progress reports regarding the status of the predevelopment of the Development.

Section 3.10 Approved Development Budget; Revisions to Budget. As of the date of this Agreement, the County has approved the Approved Development Budget set forth in Exhibit A. Borrower shall submit any required amendments to the Approved Development Budget to the County for approval within five (5) days of the date Borrower receives information indicating that actual costs of the Development vary or will vary materially from the costs shown on the Approved Development Budget. Written consent of the County will be required to amend the Approved Development Budget.

## ARTICLE 4 LOAN REQUIREMENTS

Section 4.1 Information. Borrower shall provide any information reasonably requested by the County in connection with the Development, including (but not limited to) any information required by HUD in connection with Borrower's use of the Loan funds.

### Section 4.2 Records.

(a) Borrower shall keep and maintain at the principal place of business of the Borrower set forth in Section 7.9 below, or elsewhere with the County's written consent, full, complete and appropriate books, records and accounts relating to the Development, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail Borrower's calculation of Residual Receipts and disbursements of Residual Receipts. Books, records and accounts relating to Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement are to be kept and maintained in accordance with generally accepted accounting principles consistently applied, and are to be consistent with requirements of this Agreement. All such books, records, and accounts are to be open to and available for inspection and copying by HUD, the County, its auditors or other authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that Borrower may be required to furnish to any governmental agency are to be open for inspection by the County at all reasonable times at the place that the books, records and accounts of Borrower are kept. Borrower shall preserve such records for a period of not less than five (5) years after the creation of such records in compliance with all HUD records and accounting requirements. If any litigation, claim, negotiation, audit exception, monitoring, inspection or other action relating to the use of the Loan is pending at the end of the record retention period stated herein, then Borrower shall retain the records until such action and all related issues are resolved. The records are to include all invoices, receipts, and other documents related to expenditures from the Loan funds. Borrower shall cause records to be accurate and current and in such a form as to allow the County to comply with the record keeping requirements contained in 24 C.F.R. 570.506 and the NSP3 Regulations. Such records are to include but are not limited to:

(i) Records providing a full description of the activities undertaken with the use of the Loan funds;

(ii) Records demonstrating the eligibility of activities under CDBG regulations set forth in 24 CFR 570 et seq. and that use of the NSP3 Funds meets one of the national objectives of the CDBG program set forth in 24 CFR 570.208;

(iii) Records demonstrating compliance with the HUD property standards and lead-based paint requirements;

(iv) Records documenting compliance with the fair housing, equal opportunity, and affirmative fair marketing requirements;

(v) Financial records as required by 24 C.F.R. 570.502, and OMB Circular A-110 (24 C.F.R. Part 84);

- (vi) Records demonstrating compliance with local hiring and MBE/WBE requirements;
- (vii) Records demonstrating compliance with Section 3;
- (viii) Records demonstrating compliance with applicable acquisition and relocation requirements, which must be retained for at least five (5) years after the date by which persons displaced from the property have received final payments;
- (ix) Records demonstrating compliance with labor requirements, including certified payrolls from Borrower's general contractor evidencing that applicable prevailing wages have been paid.

(b) The County shall notify Borrower of any records it deems insufficient. Borrower has fifteen (15) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the County in such notice, or if a period longer than fifteen (15) days is reasonably necessary to correct the deficiency, then Borrower must begin to correct the deficiency within fifteen (15) days and correct the deficiency as soon as reasonably possible.

#### Section 4.3 County Audits.

(a) Each year, Borrower shall provide the County with a copy of Borrower's annual audit, which is to include information on all of Borrower's activities and not just those pertaining to the Development. Borrower shall also follow audit requirements of the Single Audit Act and OMB Circulars A-122 and 110.

(b) In addition, the County may, at any time, audit all of Borrower's books, records, and accounts pertaining to the Development. Any such audit is to be conducted during normal business hours at the principal place of business of Borrower and wherever records are kept. Immediately after the completion of an audit, the County shall deliver a copy of the results of the audit to Borrower.

#### Section 4.4 NSP3 Requirements.

(a) Borrower shall comply with all applicable laws and regulations governing the use of the NSP3 Funds as set forth in the NSP3 Requirements, and with the requirements of the Regulatory Agreement and any agreement awarding the NSP3 Funds to Borrower, if any. In the event of any conflict between this Agreement and applicable laws and regulations governing the use of the proceeds of the Loan, the applicable laws and regulations govern.

(b) The laws and regulations governing the use of the Loan include (but are not limited to) the following:

- (i) Environmental and Historic Preservation. 24 C.F.R. Part 58, which prescribes procedures for compliance with the National Environmental Policy Act of 1969 (42 U.S.C. 4321-4361), and the additional laws and authorities listed at 24 C.F.R. 58.5.

(ii) Applicability of OMB Circulars. The applicable policies, guidelines, and requirements of OMB Circulars Nos. A-87, A-102, Revised, A-110, A-122, and A-133.

(iii) Debarred, Suspended or Ineligible Contractors. The prohibition on the use of debarred, suspended, or ineligible contractors set forth in 24 C.F.R. Part 24.

(iv) Civil Rights, Housing and Community Development, and Age Discrimination Acts. The Fair Housing Act (42 U.S.C. 3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Title VI of the Civil Rights Act of 1964 as amended; Title VIII of the Civil Rights Act of 1968 as amended; Section 104(b) and Section 109 of Title I of the Housing and Community Development Act of 1974 as amended; Section 504 of the Rehabilitation Act of 1973 (29 USC 794, et seq.); the Age Discrimination Act of 1975 (42 USC 6101, et seq.); Executive Order 11063 as amended by Executive Order 12259 and implementing regulations at 24 C.F.R. Part 107; Executive Order 11246 as amended by Executive Orders 11375, 12086, 11478, 12107; Executive Order 11625 as amended by Executive Order 12007; Executive Order 12432; Executive Order 12138 as amended by Executive Order 12608.

(v) Lead-Based Paint. The requirement of the Lead-Based Paint Poisoning Prevention Act, as amended (42 U.S.C. 4821 et seq.), the Residential Lead-Based Paint Hazard Reduction Act (42 U.S.C. 4851 et seq.), and implementing regulations at 24 C.F.R. Part 35.

(vi) Relocation. The requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601, et seq.), and implementing regulations at 49 C.F.R. Part 24 (as modified by the NSP3 Requirements); 24 C.F.R. 570.606; Section 104(d) of the Housing and Community Development Act of 1974 and implementing regulations at 24 C.F.R. 42 et seq.; and California Government Code Section 7260 et seq. and implementing regulations at 25 California Code of Regulations Sections 6000 et seq.

(vii) Discrimination against the Disabled. The requirements of the Fair Housing Act (42 U.S.C. 3601 et seq.) and implementing regulations at 24 C.F.R. Part 100; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and federal regulations issued pursuant thereto, which prohibit discrimination against the disabled in any federally assisted program, the requirements of the Architectural Barriers Act of 1968 (42 U.S.C. 4151-4157) and the applicable requirements of Title II and/or Title III of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.), and federal regulations issued pursuant thereto.

(viii) Clean Air and Water Acts. The Clean Air Act, as amended, 42 U.S.C. 7401 et seq., the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq., and the regulations of the Environmental Protection Agency with respect thereto, at 40 C.F.R. Part 1500, as amended from time to time.

(ix) Uniform Administrative Requirements. The provisions of 24 C.F.R. 570.502 regarding cost and auditing requirements to the extent applicable.

(x) Training Opportunities. The requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u ("Section 3"), requiring that to the greatest extent feasible opportunities for training and employment be given to lower income residents of the project area and agreements for work in connection with the project be awarded to business concerns which are located in, or owned in substantial part by persons residing in, the areas of the project. Borrower agrees to include the following language in all subcontracts executed under this Agreement:

(1) The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u. The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

(2) The parties to this contract agree to comply with HUD's regulations in 24 C.F.R. Part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.

(3) The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause; and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference; shall set forth minimum number and job titles subject to hire; availability of apprenticeship and training positions; the qualifications for each; the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

(4) The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 C.F.R. Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 C.F.R. Part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 C.F.R. Part 135.

(5) The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

(6) Noncompliance with HUD's regulations in 24 C.F.R. Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

(7) With respect to work performed in connection with Section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

(xi) Labor Standards. The labor requirements set forth in 24 C.F.R. Section 570.603; the prevailing wage requirements of the Davis-Bacon Act and implementing rules and regulations (40 U.S.C. 3141-3148); the Copeland "Anti-Kickback" Act (40 U.S.C. 276(c)) which requires that workers be paid at least once a week without any deductions or rebates except permissible deductions; the Contract Work Hours and Safety Standards Act – CWHSSA (40 U.S.C. 3701-3708) which requires that workers receive "overtime" compensation at a rate of 1-1/2 times their regular hourly wage after they have worked forty (40) hours in one (1) week; and Title 29, Code of Federal Regulations, Subtitle A, Parts 1, 3 and 5 are the regulations and procedures issued by the Secretary of Labor for the administration and enforcement of the Davis-Bacon Act, as amended.

(xii) Drug Free Workplace. The requirements of the Drug Free Workplace Act of 1988 (P.L. 100-690) and implementing regulations at 24 C.F.R. Part 24.

(xiii) Anti-Lobbying; Disclosure Requirements. The disclosure requirements and prohibitions of 31 U.S.C. 1352 and implementing regulations at 24 C.F.R. Part 87.

(xiv) Historic Preservation. The historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. Section 470) and the procedures set forth in 36 C.F.R. Part 800. If archeological, cultural, or historic period resources are discovered during construction, all construction work must come to a halt, and Borrower shall immediately notify the County. Borrower shall not alter or move the discovered material(s) until all appropriate procedures for "post-review discoveries" set forth in Section 106 of the National Historic Preservation Act have taken place, which include, but are not limited to, consultation with the California State Historic Preservation Officer and evaluation of the discovered material(s) by a qualified professional archeologist.

(xv) Flood Disaster Protection. The requirements of the Flood Disaster Protection Act of 1973 (P.L. 93-234) (the "Flood Act"). No portion of the assistance provided under this Agreement is approved for acquisition or construction purposes as defined under Section 3(a) of the Flood Act, for use in an area identified by HUD as having special flood hazards which is not then in compliance with the requirements for participation in the national flood insurance program pursuant to Section 201(d) of the Flood Act. The use of any assistance provided under this Agreement for such acquisition or construction in such identified areas in communities then participating in the National Flood Insurance Program is subject to the

mandatory purchase of flood insurance requirements of Section 102(a) of the Flood Act. If the Property is located in an area identified by HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, as amended, 42 U.S.C. 4001 et seq., the property owner and its successors or assigns must obtain and maintain, during the ownership of the Property, such flood insurance as required with respect to financial assistance for acquisition or construction purposes under Section 102(s) of the Flood Act. Such provisions are required notwithstanding the fact that the construction on the Property is not itself funded with assistance provided under this Agreement.

(xvi) HUD Regulations. Any other HUD regulations present or as may be amended, added, or waived in the future pertaining to the Loan funds.

Section 4.5 Notice of Litigation. Borrower shall promptly notify the County in writing of any litigation that has the potential to materially affect Borrower and of any claims or disputes that involve a material risk of such litigation.

Section 4.6 Nondiscrimination.

(a) Borrower covenants by and for itself and its successors and assigns that, except as required pursuant to any regulatory agreement entered into between Borrower and CalHFA with respect to the MHSA Loan, and the regulatory agreement between Borrower and HUD, with respect to the HUD Section 811 loan, there will be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, familial status, disability, sex, sexual orientation, marital status, ancestry or national origin in the predevelopment of the Project, nor may Borrower or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection of vendees in the Project.

Section 4.7 Insurance Requirements.

(a) Borrower, and Interim, Inc., as Corporate Guarantor, shall maintain the following insurance coverage throughout the Term of the Loan:

(i) Workers' Compensation insurance to the extent required by law, including Employer's Liability coverage, with limits not less than One Million Dollars (\$1,000,000) each accident.

(ii) Commercial General Liability insurance with limits not less than Two Million Dollars (\$2,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for Contractual Liability, Personal Injury, Broadform Property Damage, Products and Completed Operations.

(iii) Commercial Automobile Liability insurance with limits not less than One Million Dollars (\$1,000,000) each occurrence combined single limit for Bodily Injury and Property Damage, including coverages for owned, non-owned and hired vehicles, as applicable.



(iv) Commercial crime insurance covering all officers and employees, for loss of Loan proceeds caused by dishonesty, in an amount approved by the County, naming the County a Loss Payee, as its interests may appear.

(b) Borrower shall cause any general contractor, agent, or subcontractor working on the Development under direct contract with Borrower or subcontract to maintain insurance of the types and in at least the minimum amounts described in subsections (i), (ii), and (iii) above, except that the limit of liability for comprehensive general liability insurance for subcontractors must be One Million Dollars (\$1,000,000), and must require that such insurance will meet all of the general requirements of subsections (d) and (e) below.

(c) The required insurance must be provided under an occurrence form, and Borrower shall maintain the coverage described in subsections (a) continuously throughout the Term. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit must be three (3) times the occurrence limits specified above.

(d) Comprehensive General Liability, Comprehensive Automobile Liability and Property insurance policies must be endorsed to name as an additional insured the County and its officers, agents, employees and members of the County Board of Supervisors.

(e) All policies and bonds are to contain (i) the agreement of the insurer to give the County at least thirty (30) days' notice prior to cancellation (including, without limitation, for non-payment of premium) or any material change in said policies; (ii) an agreement that such policies are primary and non-contributing with any insurance that may be carried by the County; (iii) a provision that no act or omission of Borrower shall affect or limit the obligation of the insurance carrier to pay the amount of any loss sustained; and (iv) a waiver by the insurer of all rights of subrogation against the County and its authorized parties in connection with any loss or damage thereby insured against.

Section 4.8 Anti-Lobbying Certification. Borrower certifies, to the best of Borrower's knowledge or belief, that:

(a) No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;

(b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, grant, loan, or cooperative

agreement, it will complete and submit Standard Form-LLL, Disclosure Form to Report Lobbying, in accordance with its instructions.

This certification is a material representation of fact upon which reliance was placed when this Agreement was made or entered into. Submission of this certification is a prerequisite for making or entering into this Agreement imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than Ten Thousand Dollars (\$10,000) and no more than One Hundred Thousand Dollars (\$100,000) for such failure.

## ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 5.1 Representations and Warranties. Borrower hereby represents and warrants to the County as follows and acknowledges, understands, and agrees that the representations and warranties set forth in this Article 5 are deemed to be continuing during all times when any portion of the Loan remains outstanding:

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

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

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

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

(e) No Breach of Law or Agreement. Neither the execution nor delivery of the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will (i) conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever that is binding on Borrower, or conflict with any provision of the

organizational documents of Borrower, or conflict with any agreement to which Borrower is a party, or (ii) result in the creation or imposition of any lien upon any assets or property of Borrower, other than liens established pursuant hereto.

(f) Compliance with Laws; Consents and Approvals. The redevelopment of the Development will comply with all applicable laws, ordinances, rules and regulations of federal, state and local governments and agencies and with all applicable directions, rules and regulations of the fire marshal, health officer, building inspector and other officers of any such government or agency.

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

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

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

## ARTICLE 6 DEFAULT AND REMEDIES

Section 6.1 Events of Default. Each of the following constitutes an "Event of Default" by Borrower under this Agreement:

(a) Failure to Construct. Failure of Borrower to obtain permits, commence, and prosecute to completion, redevelopment of the Development within the times set forth in Article 3 above;

(b) Failure to Make Payment. Failure to make any payment when such payment is due pursuant to the Loan Documents.

(c) Breach of Covenants. Failure by Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan (other than obligations described in subsections (a) and (b) above), and Borrower fails to cure such default within thirty (30) days after receipt of written notice thereof from the County to Borrower; provided, however, that if a different period or notice requirement is specified under any other section of this Article 6, the specific provisions shall control.

(d) Insolvency. A court having jurisdiction makes or enters any decree or order (i) adjudging Borrower to be bankrupt or insolvent, (ii) approving as properly filed a petition seeking reorganization of Borrower, or seeking any arrangement for Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (iii) appointing a receiver, trustee, liquidator, or assignee of Borrower in bankruptcy or insolvency or for any of their properties, (iv) directing the winding up or liquidation of Borrower if any such decree or order described in clauses (i) to (iv), inclusive, is unstayed or undischarged for a period of ninety (90) calendar days; or (v) Borrower admits in writing its inability to pay its debts as they fall due or will have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the Events of Default in this paragraph will act to accelerate automatically, without the need for any action by the County, the indebtedness evidenced by the Note.

(e) Suspension; Termination. Borrower voluntarily suspends its business or, is dissolved or terminated.

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

Section 6.2 Remedies. Upon the occurrence of an Event of Default and until such Event of Default is cured or waived, the County is relieved of any obligation to disburse any portion of the Loan. In addition, upon the occurrence of an Event of Default and following the expiration of all applicable notice and cure periods, the County may proceed with any and all remedies available to it under law, this Agreement, and the other Loan Documents. Such remedies include, but are not limited to, the following:

(a) Acceleration of Note. The County may cause all indebtedness of Borrower to the County under this Agreement and the Note, together with any accrued interest thereon, to become immediately due and payable. Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The County may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the County as a creditor and secured party under the law. Borrower is liable to pay the County on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorneys' fees and expenses) paid or incurred by the County in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.

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

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

Section 6.3 Right of Contest. Borrower may contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute an Event of Default hereunder. Any such contest is to be prosecuted diligently and in a manner unprejudicial to the County or the rights of the County hereunder.

Section 6.4 Remedies Cumulative. No right, power, or remedy given to the County by the terms of this Agreement or the other Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy is cumulative and in addition to every other right, power, or remedy given to the County by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the County to exercise any such rights and remedies will operate as a waiver thereof, nor does any single or partial exercise by the County of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

## ARTICLE 7 GENERAL PROVISIONS

Section 7.1 Relationship of Parties. Nothing contained in this Agreement is to be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the County and Borrower or its agents, employees or contractors, and Borrower will at all times be deemed an independent contractor and to be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under the Agreement. In regards to the rehabilitation and operation of the Development, Borrower is solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and must include requirements in each contract that contractors are solely responsible for similar matters relating to their employees. Borrower is solely responsible for its own acts and those of its agents and employees.

Section 7.2 No Claims. Nothing contained in this Agreement creates or justifies any claim against the County by any person that Borrower may have employed or with whom Borrower may have contracted relative to the purchase of materials, supplies or equipment, or the furnishing or the performance of any work or services with respect to the purchase of the

Property, the rehabilitation or operation of the Development, and Borrower shall include similar requirements in any contracts entered into for the rehabilitation or operation of the Development.

Section 7.3 Amendments. No alteration or variation of the terms of this Agreement is valid unless made in writing by the Parties. The County Deputy Director is authorized to execute on behalf of the County amendments to the Loan Documents as long as any discretionary change in the amount or terms of this Agreement is approved by the County's Board of Supervisors.

Section 7.4 Indemnification. Borrower shall indemnify, defend and hold the County and its board members, supervisors, directors, officers, employees, agents, successors and assigns harmless against any and all claims, suits, actions, losses and liability of every kind, nature and description made against it and expenses (including reasonable attorneys' fees) which arise out of or in connection with this Agreement, including, but not limited to, the purchase of the Property, and the development, construction, marketing and operation of the Development, except to the extent such claim arises from the grossly negligent or willful misconduct of the County, its agents, and its employees. The provisions of this Section will survive the expiration of the Term and the reconveyance of the Deed of Trust.

Section 7.5 Non-Liability of County Officials, Employees and Agents. No member, official, employee or agent of the County is personally liable to Borrower in the event of any default or breach of this Agreement by the County or for any amount that may become due from the County pursuant to this Agreement.

Section 7.6 No Third Party Beneficiaries. There are no third party beneficiaries to this Agreement.

Section 7.7 Discretion Retained By County. The County's execution of this Agreement in no way limits any discretion the County may have in the permit and approval process related to the redevelopment of the Development.

Section 7.8 Conflict of Interest.

(a) Except for approved eligible administrative or personnel costs, no person described in Section 7.8(b) below who exercises or has exercised any functions or responsibilities with respect to the activities funded pursuant to this Agreement or who is in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during, or at any time after, such person's tenure. Borrower shall exercise due diligence to ensure that the prohibition in this Section 7.8(a) is followed.

(b) The conflict of interest provisions of Section 7.8(a) above apply to any person who is an employee, agent, consultant, officer, or any immediate family member of such person, or any elected or appointed official of the County, or any person related within the third (3rd) degree of such person.

(c) In accordance with California Government Code Section 1090 and the Political Reform Act, California Government Code section 87100 et seq., no person who is a director, officer, partner, trustee or employee or consultant of Borrower, or immediate family member of any of the preceding, may make or participate in a decision, made by the County or a County board, commission or committee, if it is reasonably foreseeable that the decision will have a material effect on any source of income, investment or interest in real property of that person or Borrower. Interpretation of this section is governed by the definitions and provisions used in the Political Reform Act, California Government Code Section 87100 et seq., its implementing regulations manual and codes, and California Government Code Section 1090.

(d) Borrower shall comply with the conflict of interest provisions set forth in 24 C.F.R. 570.611.

Section 7.9 Notices, Demands and Communications.

All notices required or permitted by any provision of this Agreement must be in writing and sent by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

County: County of Monterey  
Economic Development Department  
168 West Alisal St., 3<sup>rd</sup> Floor  
Salinas, CA 93901  
Attention: Housing Program Manager

Borrower: Rockrose Housing Corporation  
604 Pearl Street,  
Monterey, CA 93940  
Attn: Executive Director

With copy to: Goldfarb & Lipman LLP  
1300 Clay Street, Eleventh Floor  
Oakland, CA 94612  
Attn: Robert C. Mills

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt will be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

Section 7.10 Applicable Law. This Agreement is governed by the laws of the State of California.

Section 7.11 Parties Bound. Except as otherwise limited herein, this Agreement binds and inures to the benefit of the parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and to bind Borrower and its successors and assigns in the Property and the Development for the entire

Term, and the benefit hereof is to inure to the benefit of the County and its successors and assigns.

Section 7.12 Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions will continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 7.13 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party will not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, quarantine restrictions, freight embargoes, lack of transportation, or court order. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within ten (10) days from the commencement of the cause and such extension of time is not rejected in writing by the other Party within ten (10) days of receipt of the notice. In no event will the County be required to agree to cumulative delays in excess of one hundred eighty (180) days.

Section 7.14 County Approval. The County has authorized the County Director of Economic Development to execute the Loan Documents and deliver such approvals or consents as are required by this Agreement, and to execute estoppel certificates concerning the status of the Loan and the existence of Borrower defaults under the Loan Documents.

Section 7.15 Waivers. Any waiver by the County of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the County to take action on any breach or default of Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to Borrower to perform any obligation under this Agreement does not operate as a waiver or release from any of its obligations under this Agreement. Consent by the County to any act or omission by Borrower may not be construed to be consent to any other or subsequent act or omission or to waive the requirement for the County's written consent to future waivers.

Section 7.16 Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and are to be disregarded in interpreting any part of the Agreement's provisions.

Section 7.17 Entire Understanding of the Parties. The Loan Documents constitute the entire agreement of the Parties with respect to the Loan.

Section 7.18 Multiple Originals; Counterpart. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

*[Remainder of Page Intentionally Left Blank]*



WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

**COUNTY:**

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
County Counsel

By: \_\_\_\_\_

Deputy County Counsel

**BORROWER:**

ROCKROSE HOUSING CORPORATION, a  
California nonprofit public benefit corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

EXHIBIT A

APPROVED DEVELOPMENT BUDGET

DEVELOPMENT BUDGET

	Total Cost	Residential		Eligible Basis Costs		Commercial Total	Applicant Comment
		Total	Per Unit	Per Sq. Ft.	70%		
<b>ACQUISITION</b>							
Lesser of Land Cost or Value	\$237,600	\$237,600	\$11,314	\$16.74	XXXXXXXXXX	\$0	
Demolition	\$85,300	\$85,300	\$4,062	\$6.01	XXXXXXXXXX		
Legal & Closing Costs	\$14,760	\$14,760	\$703	\$1.04	XXXXXXXXXX		
Verifiable Carrying Costs	\$0	\$0	\$0	\$0.00	XXXXXXXXXX		
<b>Subtotal</b>	<b>\$337,660</b>	<b>\$337,660</b>	<b>\$16,079</b>	<b>\$23.80</b>	<b>XXXXXXXXXX</b>	<b>\$0</b>	
Existing Improvements Cost	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	\$0	
Other: soils	\$20,000	\$20,000	\$952	\$1.41	XXXXXXXXXX	\$20,000	
<b>Total Acquisition</b>	<b>\$357,660</b>	<b>\$357,660</b>	<b>\$17,031</b>	<b>\$25.21</b>	<b>\$0</b>	<b>\$0</b>	
<b>REHABILITATION</b>							
Off-Site Improvements	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	\$0	
Environmental Remediation	\$0	\$0	\$0	\$0.00	\$0	\$0	
Site Work	\$0	\$0	\$0	\$0.00	\$0	\$0	
Structures	\$0	\$0	\$0	\$0.00	\$0	\$0	
General Requirements	\$0	\$0	\$0	\$0.00	\$0	\$0	
Contractor Overhead	\$0	\$0	\$0	\$0.00	\$0	\$0	
Contractor Profit	\$0	\$0	\$0	\$0.00	\$0	\$0	
General Liability Insurance	\$0	\$0	\$0	\$0.00	\$0	\$0	
Other: <i>planning</i>	\$30,000	\$30,000	\$1,429	\$2.11	\$30,000	\$30,000	
<b>Total Rehabilitation Costs</b>	<b>\$30,000</b>	<b>\$30,000</b>	<b>\$1,429</b>	<b>\$2.11</b>	<b>\$30,000</b>	<b>\$30,000</b>	
<b>RELOCATION</b>							
Temporary Relocation	\$0	\$0	\$0	\$0.00	\$0	\$0	
Permanent Relocation	\$0	\$0	\$0	\$0.00	\$0	\$0	
<b>Total Relocation</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0.00</b>	<b>\$0</b>	<b>\$0</b>	
<b>NEW CONSTRUCTION</b>							
Off-Site Improvements	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	\$0	
Environmental Remediation	\$24,500	\$24,500	\$1,167	\$1.73	\$24,500	\$24,500	
Site Work (hard costs)	\$649,266	\$649,266	\$30,917	\$45.76	\$649,266	\$649,266	
Structures (hard costs)	\$2,680,471	\$2,680,471	\$127,641	\$188.90	\$2,680,471	\$2,680,471	
General Requirements	\$285,647	\$285,647	\$13,602	\$20.13	\$285,647	\$285,647	
Contractor Overhead	\$31,826	\$31,826	\$1,516	\$2.24	\$31,826	\$31,826	
Contractor Profit	\$113,283	\$113,283	\$5,394	\$7.98	\$113,283	\$113,283	
General Liability Insurance	\$43,172	\$43,172	\$2,056	\$3.04	\$43,172	\$43,172	
Other: sidewalk, curb, gutter, fire line pla	\$19,100	\$19,100	\$910	\$1.35	\$19,100	\$19,100	
<b>Total New Construction</b>	<b>\$3,847,267</b>	<b>\$3,847,267</b>	<b>\$183,203</b>	<b>\$271.13</b>	<b>\$3,847,267</b>	<b>\$3,847,267</b>	
<b>ARCHITECTURAL</b>							
Design	\$205,632	\$205,632	\$9,792	\$14.49	\$205,632	\$205,632	
Supervision	\$51,408	\$51,408	\$2,448	\$3.62	\$51,408	\$51,408	
<b>Total Architectural Costs</b>	<b>\$257,040</b>	<b>\$257,040</b>	<b>\$12,240</b>	<b>\$18.11</b>	<b>\$257,040</b>	<b>\$257,040</b>	

**DEVELOPMENT BUDGET**

Total Cost	Residential		Per Sq. Ft.	Eligible Basis Costs		Commercial Total	Applicant Comment
	Total	Per Unit		70%	30%		
<b>SURVEY &amp; ENGINEERING</b>							
Engineering	\$0	\$0	\$0.00	\$0	\$0		
ALTA Land Survey	\$4,335	\$206	\$0.31	\$4,335	\$4,335		
<b>Total Survey &amp; Engineering</b>	<b>\$4,335</b>	<b>\$206</b>	<b>\$0.31</b>	<b>\$4,335</b>	<b>\$4,335</b>	<b>\$0</b>	
<b>CONTINGENCY COSTS</b>							
Hard Cost Contingency	\$110,000	\$5,238	\$7.75	\$110,000	\$110,000		
Soft Cost Contingency	\$50,000	\$2,381	\$3.52	\$50,000	\$50,000		
<b>Total Contingency Costs</b>	<b>\$160,000</b>	<b>\$7,619</b>	<b>\$11.28</b>	<b>\$160,000</b>	<b>\$160,000</b>	<b>\$0</b>	
<b>CONSTRUCTION PERIOD EXPENSES</b>							
Construction Loan Interest	\$0	\$0	\$0.00	\$0	\$0		
Origination Fee	\$9,934	\$473	\$0.70	\$9,934	\$9,934		
Credit Enhancement & App. Fee	\$0	\$0	\$0.00	\$0	\$0		
Owner Paid Bonds/Insurance	\$0	\$0	\$0.00	\$0	\$0		
Lender Inspection Fees	\$11,000	\$524	\$0.78	\$11,000	\$11,000		
Taxes During Construction	\$0	\$0	\$0.00	\$0	\$0		
Prevailing Wage Monitor	\$28,000	\$1,333	\$1.97	\$28,000	\$28,000		
Insurance During Construction	\$40,000	\$1,905	\$2.82	\$40,000	\$40,000		
Title and Recording Fees	\$36,000	\$1,714	\$2.54	\$36,000	\$36,000		
Construction Mgmt. & Testing	\$0	\$0	\$0.00	\$0	\$0		
Predevelopment Interest Exp.	\$0	\$0	\$0.00	\$0	\$0		
Security During Construction	\$7,200	\$343	\$0.51	\$7,200	\$7,200		
Other: MHSA Misc. Fees	\$6,000	\$286	\$0.42	\$6,000	\$6,000		
<b>Total Construction Expenses</b>	<b>\$138,134</b>	<b>\$6,578</b>	<b>\$9.73</b>	<b>\$138,134</b>	<b>\$138,134</b>	<b>\$0</b>	
<b>PERMANENT FINANCING EXPENSES</b>							
Loan Origination Fee(s)	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Credit Enhancement & App. Fee	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Title and Recording	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Property Taxes	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Insurance	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Other: MHSA Capitalized Interest	\$142,109	\$6,767	\$10.01	XXXXXXXXXX	XXXXXXXXXX		
Other: (specify)	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
<b>Total Permanent Financing</b>	<b>\$142,109</b>	<b>\$6,767</b>	<b>\$10.01</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	
<b>LEGAL FEES</b>							
Construction Lender Legal Expenses	\$0	\$0	\$0.00	\$0	\$0		
Permanent Lender Legal Fees	\$0	\$0	\$0.00	\$0	\$0		
Sponsor Legal Fees	\$60,000	\$2,857	\$4.23	\$60,000	\$60,000		
Organizational Legal Fees	\$5,000	\$238	\$0.35	\$5,000	\$5,000		
Syndication Legal Fees	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Other: (specify)	\$0	\$0	\$0.00	\$0	\$0		
<b>Total Legal Fees</b>	<b>\$65,000</b>	<b>\$3,095</b>	<b>\$4.58</b>	<b>\$65,000</b>	<b>\$65,000</b>	<b>\$0</b>	
<b>CAPITALIZED RESERVES</b>							
Operating Reserve	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Replacement Reserve	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Rent-Up Reserve	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Transition Reserve	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Other: (specify)	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
Other: (specify)	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX		
<b>Total Capitalized Reserves</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	

DEVELOPMENT BUDGET

	Total Cost	Residential			Eligible Basis Costs			Commercial Total	Applicant Comment
		Total	Per Unit	Per Sq. Ft.	70%	30%	Total		
<b>REPORTS &amp; STUDIES</b>									
Appraisal(s)	\$10,000	\$10,000	\$476	\$0.70	\$10,000	\$10,000	\$10,000		
Market Study	\$7,000	\$7,000	\$333	\$0.49	\$7,000	\$7,000	\$7,000		
Physical Needs Assessment	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Environmental Studies	\$40,000	\$40,000	\$1,905	\$2.82	\$40,000	\$40,000	\$40,000		
Other: (specify)	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Other: (specify)	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Other: (specify)	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Other: (specify)	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
<b>Total Reports &amp; Studies</b>	<b>\$57,000</b>	<b>\$57,000</b>	<b>\$2,714</b>	<b>\$4.02</b>	<b>\$57,000</b>	<b>\$57,000</b>	<b>\$57,000</b>	<b>\$0</b>	
<b>OTHER</b>									
CTCAC App./Alloc./Monitor Fees	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX		
CDLAC Fees	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX		
Local Permit Fees	\$73,646	\$73,646	\$3,507	\$5.19	\$73,646	\$73,646	\$73,646		
Local Development Impact Fees	\$233,065	\$233,065	\$11,098	\$16.42	\$233,065	\$233,065	\$233,065		
Other Costs of Bond Issuance	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Syndicator / Investor Fees & Expenses	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX		
Furnishings	\$140,000	\$140,000	\$5,667	\$9.87	\$140,000	\$140,000	\$140,000		
Final Cost Audit Expense	\$20,000	\$20,000	\$952	\$1.41	\$20,000	\$20,000	\$20,000		
Marketing	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX		
Financial Consulting	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Other: Telecom Setup	\$10,000	\$10,000	\$476	\$0.70	\$10,000	\$10,000	\$10,000		
Other: Misc. Overhead	\$26,000	\$26,000	\$1,238	\$1.83	\$26,000	\$26,000	\$26,000		
Other: HOME Grants Admin	\$27,750	\$27,750	\$1,321	\$1.96	\$27,750	\$27,750	\$27,750		
Other: (specify)	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
<b>Total Other Costs</b>	<b>\$530,461</b>	<b>\$530,461</b>	<b>\$25,260</b>	<b>\$37.38</b>	<b>\$530,461</b>	<b>\$530,461</b>	<b>\$530,461</b>	<b>\$0</b>	
<b>SUBTOTAL</b>	<b>\$5,589,006</b>	<b>\$5,589,006</b>	<b>\$266,143</b>	<b>\$393.87</b>	<b>\$5,089,237</b>	<b>\$5,109,237</b>	<b>\$5,109,237</b>	<b>\$0</b>	
<b>DEVELOPER COSTS</b>									
Developer Fee/Overhead/Profit	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Consultant/Processing Agent	\$45,000	\$45,000	\$2,143	\$3.17	\$45,000	\$45,000	\$45,000		
Project Administration	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Syndicator Consultant Fees	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX		
Guarantee Fees	\$0	\$0	\$0	\$0.00	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX		
Broker Fees Paid to Related Party	\$0	\$0	\$0	\$0.00	\$0	\$0	\$0		
Construction Oversight & Mgmt.	\$110,138	\$110,138	\$5,245	\$7.76	\$110,138	\$110,138	\$110,138		
Other: Working Capital (init. Mark & rent	\$80,953	\$80,953	\$3,855	\$5.70	\$80,953	\$80,953	\$80,953		
Other: Contingency Reserve	\$236,091	\$236,091	\$11,242	\$16.64	\$236,091	\$236,091	\$236,091		
<b>Total Developer Costs</b>	<b>\$5,825,097</b>	<b>\$5,825,097</b>	<b>\$277,386</b>	<b>\$410.51</b>	<b>\$5,325,328</b>	<b>\$5,345,328</b>	<b>\$5,345,328</b>	<b>\$0</b>	
<b>TOTAL DEVELOPMENT COST</b>									
Bridge Loan Expense During Construction									
Less Total Ineligible Financing Amounts									
ELIGIBLE BASIS \$5,325,328 \$5,345,328									
<b>CTCAC Total Project Costs</b>	<b>\$5,825,097</b>								
(Excludes Syndication Legal Fees and Syndicator / Investor Fees and Expenses)									