

Council/Agency Meeting Held: _____	
Deferred/Continued to: _____	
<input type="checkbox"/> Approved <input type="checkbox"/> Conditionally Approved <input type="checkbox"/> Denied	City Clerk's Signature
Council Meeting Date: 6/16/2008	Department ID Number: ED 08-18

**CITY OF HUNTINGTON BEACH
REQUEST FOR REDEVELOPMENT AGENCY ACTION**

SUBMITTED TO: HONORABLE CHAIRMAN AND REDEVELOPMENT AGENCY MEMBERS

SUBMITTED BY: PAUL EMERY, INTERIM EXECUTIVE DIRECTOR *PE*

PREPARED BY: STANLEY SMALEWITZ, DEPUTY EXECUTIVE DIRECTOR *SS/ST*

SUBJECT: AUTHORIZE ASSUMPTION AGREEMENT, SUBORDINATION OF AGENCY LOAN AND LOAN FORGIVENESS - SEA AIRE APTS. LLC

Statement of Issue, Funding Source, Recommended Action, Alternative Action(s), Analysis, Environmental Status, Attachment(s)

Statement of Issue: Sea Aire Apartments, LLC, owners of Sea Aire Apartments, an affordable 36-unit apartment complex located at 725-733 Utica Avenue, ("Sea Aire"), is requesting that the Agency: 1) approve the assumption of the Sea Aire Agreement and Note by Sea Aire Apartments, LLC; 2) allow a non-cash-out refinance of the owner's current first mortgage loan, and 3) formally forgive 11 years of loan principal and interest, as provided by the Affordable Housing Agreement.

Funding Source: Approval of this request will not result in a cost to the Agency.

Recommended Action: Motion to:

1. Authorize the Chairman and Agency Clerk to execute, as Holder, the Assumption Agreement between the Redevelopment Agency of the City of Huntington Beach, and Yaron Levy, an individual, Yael Levy, an individual, and Sea Aire Apartments, LLC, a California limited liability company; and
2. Authorize the Chairman and Agency Clerk to execute the Subordination Agreement which will place the Agency's loan with Sea Aire Apartments, LLC, in second position to the new loan being extended by Union Bank of California to Sea Aire Apartments, LLC.

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3. Authorize the Deputy Executive Director to provide written confirmation of the forgiveness of 11/30 of the affordable housing loan (principal and all accrued interest from May 2, 1997 through May 2, 2008) to the owners of 725 - 733 Utica Avenue, a 36-unit affordable housing complex.

Alternative Action(s): Direct staff to provide additional information and delay action.

Background: On May 2, 1994, Redevelopment Agency Resolution No. 257, and City Council Resolution No. 6590 were adopted which approved an Affordable Housing Agreement between the Redevelopment Agency of the City of Huntington Beach and Associates Nine, a California general partnership. The agreement called for a housing rehabilitation grant of \$100,000 and a forgivable loan of not more than \$446,000 (a total of \$546,000) in exchange for the rehabilitation of 36 units of affordable housing for households earning below 60% of the Orange County median income, for a period of 30 years ("Sea Aire Agreement"). The Sea Aire Agreement, promissory note and deed of trust were revised and reapproved by City Council in 1996. The note continues to accrue interest and be formally forgiven based upon the original note date of May 2, 1994.

The Agency loan was secured by a Second Trust Deed that was recorded, along with Affordable Housing Covenants, as a lien against the Sea Aire properties. The loan principal and compounded interest (which accrues at the rate of 10%) are to be forgiven annually at the rate of 1/30 per year, provided the Owner/Borrower has been in compliance with the terms of the Sea Aire Agreement. The principal balance plus accrued interest would be due only if a default occurs, or if the property is transferred to a new owner who wishes to remove the affordability restrictions. The terms of the Sea Aire Agreement do not provide for future refinancing of an existing first mortgage by the Owner/Borrower without formal approval by the Agency.

On October 6, 1997, the Agency formally granted forgiveness of 3/30ths of the principal and accrued interest on the Sea Aire Note to Associates Nine after confirming that they were in full compliance with the terms of the Sea Aire Agreement. On February 2, 1998, the Agency formally approved and authorized the transfer of title (including all of the obligations associated with the Sea Aire Agreement) from Associates Nine to the new purchasers of the Sea Aire Apartment properties, Yaron and Yael Levy. Title to the Sea Aire Apartments was transferred to Sea Aire Apartments, LLC by the Levys in January of 2003.

Analysis: Sea Aire Apartments, LLC approached staff, requesting that they seek the Agency's approval of three items, each of which are discussed below:

Assumption Agreement - The Agency is being asked to consent to the Levy's transfer, in January of 2003, of the Sea Aire Apartment properties into the name of Sea Aire Apartments, LLC, a California limited liability company created by Yaron and Yael Levy on August 2, 2000 for the ownership and management of the Sea Aire Apartments. The Assumption Agreement provides that all affordable housing covenant obligations will

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remain in place as were originally approved by the Agency and requires that the transferee acknowledge and agree to the assignment of the Developer's obligation under, and comply with, all of the provisions of the Sea Aire Agreement and each of the attachments thereto.

Refinance and Subordination of the Agency Loan – Sea Aire Apartments, LLC is formally requesting that the Agency allow a non-cash-out refinance of the existing first mortgage because the Sea Aire Agreement in Paragraph 24 does not provide for the refinance of an owner's existing first mortgage loan. To do so typically requires that the Agency subordinate its loan to second position beneath the new loan. Sea Aire Apartments, LLC's (Borrower's) purpose in refinancing is to secure a loan with a more favorable interest rate to provide better cash flow for the management and maintenance of the Sea Aire Apartments. The new loan from United Bank of California (UBOC) will be in an amount not to exceed \$2,850,000. The Sea Aire affordable housing covenants will remain in a position superior to the new loan. Staff has closely reviewed the Borrower's loan application, appraisal, title documents, property inspection and escrow instructions and has determined that the Borrower is currently in compliance with the terms of the Agreement and has a net operating income sufficient to support the debt servicing obligations of the new loan.

It is recommended that Paragraph 24 of the Affordable Housing Agreement be waived to allow the Borrower's refinance, as submitted, and that the Agency allow the Executive Director or designee to execute the attached Subordination Agreement which will allow the Borrower's first mortgage lender to assume first position as to title, in front of the Agency's loan.

Loan Forgiveness - Sea Aire Apartments, LLC is requesting that the Agency approve forgiveness of an additional 11/30ths of loan principal and interest (covering the time period from 5/2/97 to 5/2/08), as provided by the Sea Aire Agreement, following determination that all compliance, affordability, and property maintenance requirements have been met. This will result in the forgiveness of \$64,066.29 of the note and will leave a remaining loan balance of \$542,233.55. Staff has reviewed the income of each of the families living at the property and confirmed that the income of each household does not exceed 60% of median income. Secondly, a site visit was conducted to review the condition of the building, units, landscaping, and parking for the purpose of compliance with the requirements of the Sea Aire Agreement. Although a few minor issues are being corrected, the overall condition of the property is in compliance with the requirements of the Sea Aire Agreement.

The Borrower is asking that the Agency allow the Economic Development Director to provide written confirmation of the aforementioned formal loan forgiveness, including the amount forgiven and the remaining principal balance.

Strategic Plan Goal: Preserve the quality of our neighborhoods, maintain open space, and provide for the preservation of historic neighborhoods.

Environmental Status: Not applicable.

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Attachment(s):

City Clerk's Page Number	No.	Description
5	1.	Affordable Housing Agreement (Rehabilitation of 725-733 Utica)
56	2.	Site Map: Sea Aire Apartments, 725 – 733 Utica Avenue
58	3.	Sea Aire Loan Amortization Schedule
68	4.	Assumption Agreement
73	5.	Subordination Agreement

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ATTACHMENT #1

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AFFORDABLE HOUSING AGREEMENT
(Rehabilitation of 725-733 Utica)

by and between the

REDEVELOPMENT AGENCY OF
THE CITY OF HUNTINGTON BEACH,

AGENCY,

and

ASSOCIATES NINE, a General Partnership,

DEVELOPER.

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AFFORDABLE HOUSING AGREEMENT
(Rehabilitation of 725-733 Utica)

THIS AFFORDABLE HOUSING AGREEMENT (the "Agreement") is entered into this 22nd
November,
~~2nd~~ day of ~~May~~, 1996, by and between the REDEVELOPMENT AGENCY OF THE CITY OF
HUNTINGTON BEACH, a public body corporate and politic (the "Agency") and ASSOCIATES
NINE, a California general partnership (the "Developer"). The Agency and the Developer
hereby agree as follows:

1. **PURPOSE OF AGREEMENT**

(a) The Agency is required by California Health and Safety Code Section
33334.2, et seq., to expend a certain percentage of property taxes allocated to it for the purpose of
increasing, improving and preserving the City of Huntington Beach's supply of Low- and
Moderate-Income housing available at an Affordable Housing Cost.

(b) This Agreement provides for the rehabilitation of a Thirty-six (36) unit
rental housing project (the "Project") located at 725, 729, and 733 Utica Avenue within the City
of Huntington Beach. All of the units (the "Affordable Units" will be available pursuant to this
Agreement for Lower Income Households at an Affordable Rent (as those terms are defined in
Section 27 hereof) for a period of thirty (30) years.

(c) In consideration for the Developer's rehabilitation and operation of the
Project and the Affordable Units, this Agreement provides that the Agency shall make available
certain financial assistance in the form of a low interest loan and a grant.

2. **THE SITE**

The Site is that real property located in the City of Huntington Beach ("City") as
depicted and more fully described in the "Site Map and Legal Description" which is attached

hereto as Attachment No. 1, and incorporated herein by reference. The Site is not located in any redevelopment project area of the City, but the development of the Project will be of benefit to the city's redevelopment efforts due to the creation of affordable housing within the city. The Developer owns fee simple title to the entire Site.

3. PARTIES TO THE AGREEMENT

(a) The Agency

The Agency is 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, California Health and Safety Code Section 33000, et seq. The principal office of the Agency is located at City Hall, 2000 Main Street, Huntington Beach, California 92648.

"Agency," as used in this Agreement, includes the Redevelopment Agency of the City of Huntington Beach, and any assignee of or successor to its rights, powers and responsibilities.

(b) The Developer

The Developer is Associates Nine, which is a California general partnership. The principal office and mailing address of the Developer for the purposes of this Agreement is:

Associates Nine
948 11th Street
Huntington Beach, CA 92648

4. DEVELOPER COVENANTS AS TO SOLVENCY

The Developer represents and warrants to the Agency as follows:

(a) The Developer is a duly established general partnership and in good standing under the laws of the State of California and has duly authorized, executed and delivered this Agreement and any and all other agreements and documents required to be executed and delivered by the Developer in order to carry out, give effect to, and consummate the transactions contemplated by this Agreement.

(b) The Developer does not have any material contingent obligations or any material contractual agreements which could materially adversely affect the ability of the Developer to carry out its obligations hereunder.

(c) There are no material pending or, so far as is known to the Developer, threatened, legal proceedings to which the Developer is or may be made a party or to which any of its property is or may become subject, which has not been fully disclosed in the documentation submitted to the Agency which could materially adversely affect the ability of the Developer to carry out its obligations hereunder.

(d) There is no action or proceeding pending or, to the Developer's best knowledge, threatened, relating to the dissolution or liquidation of the Developer, and there is no action or proceeding pending or, to the Developer's best knowledge, threatened by or against the Developer which could affect the validity and enforceability of the terms of this Agreement, or materially and adversely affect the ability of the Developer to carry out its obligations hereunder.

Each of the foregoing items (a) to (d), inclusive, shall be deemed to be an ongoing representation and warranty. The Developer shall advise the Agency in writing if there is any material change pertaining to the matters set forth or referenced in the foregoing items (a) to (d).

5. PROHIBITION AGAINST CHANGE IN OWNERSHIP, MANAGEMENT AND CONTROL OF DEVELOPER

The qualifications and identities of the Developer and its general partners are of particular interest and concern to the City and the Agency. It is because of these qualifications and identities that the Agency has entered into this Agreement with the Developer.

Consequently, except as expressly set forth in this Agreement, no person, whether a voluntary or involuntary successor in interest of the Developer, shall acquire any rights or powers under this Agreement nor shall the Developer assign or transfer all or any part of this Agreement or any rights hereunder without the prior written approval of the Agency. The Agency shall approve such a transfer upon receipt by the Developer of (a) reasonable evidence satisfactory to the Agency that the transferee has assumed in writing, and in full, the Developer's duties and obligations under this Agreement and the attachments hereto, (b) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Developer under this Agreement and that such obligations and this Agreement are binding on the transferee, and (c) the Agency receives evidence acceptable to the Agency that either (1) the transferee has experience in the ownership, operation and management of rental housing developments such as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such developments, or (2) the transferee agrees to retain a property management firm with the experience and record described in Section 5(c)(1) above. Written approval of the Agency shall also be required prior to any and all changes

whatsoever in the identity of the person in control of the Developer, including any change in, or addition of, general partners of the Developer. The voluntary or involuntary sale or transfer of any general partnership interest of the Developer shall be deemed to constitute an assignment for the purposes of this Section 5 and the written approval of the Agency shall be required prior to effecting such a transfer. Any purported transfer, voluntary, involuntary, or by operation of law, except with the prior written consent of the Agency in accordance with this Section 5, shall constitute a default of Developer and shall confer no rights whatsoever upon any purported assignee or transferee.

Notwithstanding any other provision of this Section 5 to the contrary, Agency approval of an assignment of this Agreement, or any interest therein, or an assignment of a general partnership interest or limited partnership interest in the Developer, shall not be required in connection with any transfer of an interest in the Developer so long as the existing general partner of the Developer retains operational and managerial control over rehabilitation of the Site, provided that such transfer does not affect more than forty-nine percent (49%) of the existing general partnership interest in the Developer and the Developer shall remain responsible for the obligations of the Developer hereunder.

All of the terms, covenants and conditions of this Agreement shall be binding upon and shall inure to the benefit of the Developer and the permitted successors and assigns of the Developer. Whenever the term "Developer" is used herein, such term shall include any other permitted successors and assigns as herein provided.

6. AGENCY LOAN

Subject to the applicable terms and conditions of this Agreement, the Agency agrees to loan to the Developer the sum of Four Hundred Forty-six Thousand Dollars (\$446,000) (the "Agency Loan"). The loan funds shall be disbursed and administered by the Agency. The loan funds will be released in various increments as the rehabilitation and construction costs are submitted to the Agency for payment.

7. NOTE AND DEED OF TRUST

(a) The Agency Loan shall be evidenced by the Developer's execution of a "Promissory Note," in the form of Attachment No. 2 hereto, which is incorporated herein. The Promissory Note shall accrue compound interest at the prime rate of the San Francisco office of the Federal Reserve Bank which is prevailing on the date this Agreement is approved and adopted by the Agency, plus one and one-half percent (1.5%). The term of the Agency Loan shall be thirty (30) years. The term of the Agency Loan may be extended upon mutual agreement of the parties, evidenced by a written amendment to this Agreement. The Developer shall make no monthly payments during the term of the Loan.

(b) The entire loan balance, including principal and interest, shall be due in full upon the thirtieth (30th) anniversary of the Agency Loan, except as provided herein below. The full amount of the Promissory Note, with all interest accrued thereon, shall be immediately due and payable upon the Developer's uncured default of this Agreement and/or the Promissory Note. The Developer's obligations pursuant to the Promissory Note shall be secured by the Developer's execution of a "Deed of Trust" in the form of Attachment No. 3 hereto, which is incorporated herein. The Developer shall execute and deliver a copy of the Promissory Note and

the Deed of Trust to the Agency as a condition precedent to the disbursement of the Agency Loan Proceeds. In connection with the Deed of Trust, the Agency may obtain, at its own expense, an ALTA lender's policy or policies of title insurance, together with such endorsements as are reasonably requested by the Agency.

(c) Provided that the Developer remains in compliance with the affordability provisions of this Agreement, the Agency Loan shall be forgiven, and no repayment required, as follows:

(1) Each year following the adoption of this Agreement, on the anniversary date thereof, the Agency will determine whether or not the Developer has complied with the affordability requirements of this Agreement.

(2) If the Agency finds that the Developer has complied, an amount equivalent to one-thirtieth (1/30) of the Loan Amount, plus accrued interest, shall be forgiven from repayment.

(3) If the Agency finds the Developer has not complied, the Developer shall be considered to be in default of this Agreement, and the provisions of this Agreement relating to defaults shall be applicable.

(4) The determination of compliance shall be made in the Agency's sole discretion.

8. AGENCY GRANT

Subject to the terms of this Agreement, and provided the Developer is not in default of this Agreement, the Agency shall grant to the Developer the sum of One Hundred Thousand Dollars (\$100,000). Such payment shall be in consideration for the Developer's

agreement to provide housing to Lower Income Households at an Affordable Rent (as those terms are defined in Section 27 hereof), and to provide a high quality level of construction materials and amenities in the rehabilitation and construction of landscaping, irrigation, fencing, lighting, security system, recreational area and reconstructed carports, as set forth in this Agreement and the attachments hereto. The grant funds shall be disbursed and administered by the Agency. The grant funds will be released in various increments as the costs for the items referenced in this Section 8 are submitted to the Agency for payment.

9. AGENCY REVIEW OF REHABILITATION PLANS

At its option, the Agency shall have the right to review and approve the plans and specifications for the Project as set forth in Sections 10 through 13 hereof. A minimum of three bids from qualified contractors will be required for each item, or major building system, to be replaced, repaired or otherwise rehabilitated or reconstructed. Such bids will be submitted to the Agency prior to the award of any bid by the Developer. The Agency reserves the right to reject any bid obtained by the Developer and require the Developer to re-bid any item.

10. SCOPE OF REHABILITATION

The Site shall be rehabilitated as provided in the Scope of Rehabilitation (Attachment No. 5). The Developer shall commence and complete construction of such rehabilitation by the respective times established therefor in the Schedule of Performance (Attachment No. 4) subject to Section 34 of this Agreement. The development shall include any plans and specifications submitted to City and/or Agency for approval, and shall incorporate or show compliance with all applicable mitigation measures.

11. SITE PLAN

The Developer shall prepare and submit to the Agency for its approval Design Drawings and a Site Plan and related documents containing the overall plan for rehabilitation of the Site in sufficient detail to enable the Agency to effectively evaluate the proposal for relationship of structures to landscape, physical and environmental considerations and conformity to the requirements of this Agreement. The Developer agrees to consolidate the site into a single parcel, and shall take all necessary steps, including the preparation and recording of a new parcel map, to accomplish the lot consolidation. The Agency shall review such submissions for approval. The Site shall be rehabilitated as established in this Agreement and such documents except as changes may be mutually agreed upon between the Developer and the Agency. Any such changes shall be within the limitations of the Scope of Rehabilitation which is attached to this Agreement as Attachment No. 5 and incorporated herein.

12. CONSTRUCTION DRAWINGS AND RELATED DOCUMENTS

By the time set forth therefor in the Schedule of Performance (Attachment No. 4), the Developer shall prepare and submit to the City construction drawings, landscape plans, and related documents for rehabilitation of the Site for building permit(s).

During the preparation of all drawings and plans, staff of the Agency, City, and the Developer shall hold regular progress meetings to coordinate the preparation of, submission to, and review of drawings, plans and related documents by the Agency. The staff of Agency, City, and the Developer shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of any documents to the Agency can receive prompt and

speedy consideration. The Developer shall be obligated to obtain all City approvals required for the rehabilitation project.

13. APPROVAL OF PLANS, DRAWINGS, AND RELATED DOCUMENTS

The Agency and the City shall have the right of planning review, including plan check, of all plans and submissions, including any changes therein. The Agency shall approve or disapprove such plans and submissions within the same time periods established by the City for its review of construction and architectural plans and submissions.

During each stage of the processing for Developer Improvements, the Agency and the City shall have the right to require additional information and shall advise the Developer if any submittal of plans or drawings is not complete or not in accordance with City/Agency procedures. If the Agency or the City determines that such a submittal is not complete or not in accordance with procedures, such tender shall not be deemed to constitute a submittal for purposes of satisfying the Schedule of Performance (Attachment No. 4).

If the Developer desires to make any substantial changes in the rehabilitation plans after their approval by the Agency and the City, the Developer shall submit the proposed change to the Agency and the City for their approval. If the rehabilitation plans, as modified by the proposed change, conform to the requirements of Section 12 of this Agreement and the Scope of Development (Attachment No. 5) the Agency and the City shall approve or reject the proposed change and notify the Developer in writing within such periods as are established by the City for its review of such changes to construction and architectural plans and specifications. Such changes in the plans shall, in no event, be deemed approved by the Agency or the City without such an actual approval.

14. COST OF REHABILITATION

All the costs of site preparation, planning, designing and constructing the rehabilitation project shall be borne solely by the Developer from the funds administered by the Agency and disbursed to the Developer by the Agency Loan and the Grant. The Developer shall also bear all costs related to discharging the duties of the Developer set forth in this Agreement. Upon completion of the Project, the Developer shall submit to the Agency a detailed and itemized report of its costs of rehabilitation.

15. WORK SCHEDULE

The Developer shall promptly begin and thereafter diligently prosecute to completion the work of the Project, with all construction commencing and being completed within the times specified therefor in the Schedule of Performance (Attachment No. 4), subject to Section 34 of this Agreement.

16. BODILY INJURY AND PROPERTY DAMAGE INSURANCE

The Developer shall defend, indemnify, assume all responsibility for and hold the Agency, its officers, agents, representatives and employees harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including reasonable attorneys' fees and costs), which may be caused by any of the Developer's acts, omissions or failures to act under this Agreement, whether such activities or performance thereof be by the Developer or anyone directly or indirectly employed or contracted with by the Developer and whether such damage shall accrue or be discovered before or after termination of this Agreement. The Developer shall take out and maintain during the life of this Agreement a comprehensive liability policy in the amount of One Million Dollars (\$1,000,000) combined

single limit policy, including contractual liability, as shall protect the Developer, City, Agency, and their officers, agents and employees from claims for such damages.

The Developer shall furnish a certificate of insurance countersigned by an authorized agent of the insurance carrier on a form of the insurance carrier setting forth the general provisions of the insurance coverage. This countersigned certificate shall name the City and the Agency (and their respective officers, agents, and employees) as additional insureds under the policy. The certificate by the insurance carrier shall contain a statement of obligation on the part of the carrier to notify City and the Agency of any material change, cancellation or termination of the coverage at least thirty (30) days in advance of the effective date of any such material change, cancellation or termination. Coverage provided hereunder by the Developer shall be primary insurance and not contributing with any insurance maintained by the Agency or City, 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 the City and the Agency. The required certificate shall be furnished by the Developer at the time set forth therefor in the Schedule of Performance (Attachment No. 4).

The Developer shall also furnish or cause to be furnished to the Agency evidence satisfactory to the Agency that any contractor with whom it has contracted for the performance of work on the Site or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law.

17. CITY AND OTHER GOVERNMENTAL AGENCY PERMITS

Before commencement of construction or rehabilitation of any buildings, structures or other works of improvement upon the Site or related offsite improvements, the

Developer shall, at its own expense, take all actions necessary and proper to secure or cause to be secured any and all permits which may be required by the City or any other governmental agency affected by such construction, rehabilitation or work. It is understood that the Developer's obligation is to pay all necessary fees and to timely submit to the City final drawings with final corrections necessary to obtain a building permit; the Agency will, without obligation to incur liability or expense therefor, use its best efforts to expedite issuance of building permits and certificates of occupancy for construction that meets the requirements of the City Code. The Developer agrees and acknowledges that it shall be responsible for the cost of any such environmental review and clearance as may be deemed necessary or appropriate in connection with the processing of land use entitlements with respect to the Site.

18. RIGHTS OF ACCESS

For the purpose of assuring compliance with this Agreement, representatives of the Agency and the City shall have the right of access to all portions of the Site without charges or fees, at normal construction hours during the period of construction for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed in constructing the rehabilitation project, so long as they comply with all safety rules. Such representatives of the Agency or the City shall be those who are so identified in writing by the Executive Director of the Agency. The Agency shall indemnify and hold the Developer and its partners, employees and agents harmless from any bodily injury or related damages arising out of the activities of the Agency and the City as referred to in this Section 18.

The Developer agrees to place and maintain on the Site during construction of the rehabilitation project one (1) sign indicating the respective roles of the Developer and the Agency in the Project. The cost of the sign shall be borne solely by the Developer.

19. LOCAL, STATE AND FEDERAL LAWS

The Developer shall carry out the construction of the Project in conformity with all applicable laws, including all applicable federal and state labor standards.

20. ANTIDISCRIMINATION DURING CONSTRUCTION

The Developer, for itself and its successors and assigns, agrees that during the construction of the Project provided for in this Agreement, the Developer will not discriminate against any employee or applicant for employment because of race, color, creed, religion, age, sex, marital status, handicap, national origin or ancestry.

21. TAXES, ASSESSMENTS, ENCUMBRANCES AND LIENS

The Developer shall pay prior to delinquency all ad valorem taxes and assessments on the Site. Prior to issuance of a Certificate of Completion pursuant to Section 23, except for encumbrances allowed pursuant to this Agreement, the Developer shall not place on the Site or any part thereof any mortgage, trust deed, encumbrance or lien. Prior to issuance of a Certificate of Completion pursuant to Section 23, the Developer shall remove or have removed any levy or attachment made on any of the Site or any part thereof, or assure the satisfaction thereof within a reasonable time but in any event prior to a sale thereunder. After the issuance of a Certificate of Completion, the restrictions set forth in the prior two sentences shall terminate and be of no further force or effect. Nothing herein contained shall be deemed to prohibit the

Developer from contesting the validity or amounts of any tax assessment, encumbrance or lien, nor to limit the remedies available to the Developer in respect thereto.

22. PROHIBITION AGAINST TRANSFER OF THE SITE, THE BUILDINGS OR STRUCTURES THEREON

Prior to the Developer's prepayment of the Agency Loan, the Developer shall not, except as permitted by this Agreement (including without limitation Section 5), without prior written approval of the Agency, which approval shall not be unreasonably withheld, make any total or partial sale, transfer, conveyance, assignment of lease of the whole or any part of the Site or of the buildings or structures on the Site. The Agency shall approve such a transfer upon receipt by the Developer of (a) reasonable evidence satisfactory to the Agency that the transferee has assumed in writing, and in full, the Developer's duties and obligations under this Agreement and the attachments hereto, (b) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Developer under this Agreement and that such obligations and this Agreement are binding on the transferee, and (c) the Agency receives evidence acceptable to the Agency that either (1) the transferee has experience in the ownership, operation and management of rental housing developments such as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such developments, or (b) the transferee agrees to retain a property management firm with the experience and record described in Section 22(c)(1) above. This prohibition shall not be deemed to prevent a transfer of a general or limited partnership interest in the Developer, provided that a general or limited partner of the Developer does not convey more than forty-nine percent (49%) of its partnership interest, and each partner of the Developer shall retain at least fifty-one percent (51%) of its original ownership of the Partnership.

23. CERTIFICATE OF COMPLETION

Within thirty (30) days after completion of all construction and rehabilitation required by this Agreement to be completed by the Developer upon the Site in conformity with this Agreement, submission of a detailed and itemized report of its costs of the rehabilitation project and request for a Certificate of Completion, the Agency shall furnish the Developer with a "Certificate of Completion." Such Certificate shall be substantially in the form of Attachment No. 6 attached hereto and incorporated herein. The Agency shall not unreasonably withhold any such Certificate of Completion. Such Certificate of Completion shall be a conclusive determination of satisfactory completion of the construction and rehabilitation required by this Agreement upon the Site and the Certificate of Completion shall so state. After recordation of such Certificate of Completion, any party then owning or thereafter purchasing, leasing or otherwise acquiring any interest therein shall not (because of such ownership, purchase, lease or acquisition), incur any obligation or liability under this Agreement except that such party shall be bound by the covenants contained in the "Declaration of Covenants, Conditions and Restrictions" (Attachment No. 7), Section 27 of this Agreement, and other documents establishing covenants on the Site in accordance with the provisions of this Agreement. The Certificate of Completion shall be in such form as to permit it to be recorded in the Recorder's Office of Orange County.

If the Agency refuses or fails to furnish a Certificate of Completion for the Project after written request from the Developer, the Agency shall, within thirty (30) days of written request therefor, provide the Developer with a written statement of the reasons the Agency has refused or failed to furnish a Certificate of Completion. The statement shall also contain

Agency's opinion of the actions that the Developer must take to obtain a Certificate of Completion.

Such Certificate of Completion shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of any mortgage, or any insurer of a mortgage securing additional money loaned to finance the Project, or any part thereof. Such Certificate of Completion is not a notice of completion as referred to in the California Civil Code Section 3093.

24. NO ADDITIONAL ENCUMBRANCES EXCEPT MORTGAGES & DEEDS

Additional mortgages or deeds of trust are to be permitted before completion of the Project, but only for the purpose of securing loans of funds to be used for the Project. The Developer shall notify the Agency in advance of any such additional mortgage or deed of trust if the Developer proposes to enter into the same before completion of the Project. The words "mortgage" and "trust deed" as used hereinafter shall not include sale and leaseback. The Developer shall not enter into any such conveyance for financing or refinancing without the prior written approval of the Agency, which approval Agency agrees to give if any such conveyance for financing is given to a responsible financial or lending institution or other acceptable person or entity. Any subsequent encumbrances shall be subordinated to the Agency's Trust Deed as provided for herein.

25. ENVIRONMENTAL MATTERS

(a) Definitions

For the purposes of this Section 25, the following terms shall have the meanings herein specified:

(1) The term "Hazardous Materials" shall mean

(i) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.), as amended from time to time, and regulations promulgated thereunder; (ii) any "hazardous substance" as defined by the Carpenter-Presley-Tanner Hazardous Substance Account Act (California Health and Safety Code Sections 25300 et seq.), as amended from time to time, and regulations promulgated thereunder; (iii) asbestos; (iv) poly-chlorinated biphenyls; (v) petroleum, oil, gasoline (refined and unrefined) and their respective by-products and constituents; and (vi) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental regulation (as defined in Section 25(a)(3) of this Agreement) either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment.

(2) The term "Hazardous Materials Contamination" shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Site by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time (whether before or after the date of this laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the city, or any other political subdivision in which the Site is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the Agency, the Developer or the Site.

(b) Obligation of Developer to Remediate the Site

Notwithstanding the obligation of Developer to indemnify Agency pursuant to this Section 25 or any other obligations of the Developer pursuant to this Agreement, Developer shall, at its sole cost and expense, promptly take (i) all actions required by any federal, state or local governmental agency or political subdivision or any Governmental Requirements with respect to the entire Site, and (ii) all actions necessary to make full economic use of the Site for the purposes described in this Agreement, which actions, requirements or necessity arise from the presence upon, about or beneath the Site of any Hazardous Materials or Hazardous Materials Contamination regardless of when such Hazardous Materials or Hazardous Materials Contamination were introduced to the Site and regardless of who is responsible for introducing such Hazardous Materials or Hazardous Materials Contamination to the Site (the "Site Remediation"). The Site Remediation shall include, but not be limited to, investigation of the environmental condition of the Site, the preparation of any feasibility studies or reports and the performance of any cleanup, remedial, removal or restoration work required. The Developer shall take all actions necessary to promptly restore the Site to an environmentally sound condition for uses contemplated by this Agreement, notwithstanding any lesser standard of remediation allowable under applicable Governmental Requirements. The Developer's obligations under this Section 25 shall be referred to as the "Site Remediation" and shall survive the issuance of the Certificate of Completion.

(c) Developer's Representations and Warranties

Developer hereby represents and warrants to the Agency that, to the best of its knowledge:

(1) No Hazardous Materials or Hazardous Contamination exist or are located on, in or under the Site.

(2) No portion of the Site is being used or, to Developer's best knowledge after diligent inquiry, has ever been used prior to Developer's ownership or occupancy thereof, for the disposal, storage, treatment, processing or other handling of Hazardous Materials and the Site is not affected by any Hazardous Materials Contamination.

(3) No asbestos or asbestos-containing materials have been installed, used, incorporated into, or disposed of on the Site.

(4) No polychlorinated biphenyls are located on or in the Site, in the form of electrical transformers, fluorescent light fixtures with ballasts, cooling oils, or any other device or form.

(5) No underground storage tanks are located on the Site or were located on the Site and subsequently removed or filled.

(6) No investigation, administrative order or notice, consent order and agreement, litigation or settlement with respect to Hazardous Materials or Hazardous Materials Contamination is pending or, to Developer's best knowledge after diligent inquiry, threatened, with respect to the Site or the existing operations thereon.

(7) The Site and its existing uses comply and, to Developer's best knowledge after diligent inquiry, their prior uses at all times have complied with all applicable Governmental Requirements relating to environmental matters or Hazardous Materials. There is no condition on the Site which is in violation of any applicable Governmental Requirements relating to Hazardous Materials, and Developer has received no communication from or on

behalf of any federal, state or local governmental authority or agency that any such condition exists. The Site is not currently on and, to Developer's best knowledge after diligent inquiry, have never been on any federal or state "Superfund" list, and Developer is not aware that the Site is anticipated or threatened to be placed on such list.

(8) True and correct copies of all (i) Developer's internal inspection reports with respect to the Site, (ii) environmental audits, reports and studies received by Developer which concern the Site, and (iii) inspection reports conducted during the last two years from each applicable regulatory authority with respect to the Site in the possession or control of Developer, have been delivered to Agency. Developer shall deliver to Agency within five (5) days of Developer's receipt thereof all environmental reports, audits or studies, internal inspection reports and regulatory inspection reports, which concern the Site generated or received by Developer prior to the repayment in full of the Promissory Note.

(d) Indemnification

Developer shall save, protect, defend, indemnify and hold harmless Agency 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, consultants' fees, investigation and laboratory fees, reasonable attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by Agency by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of (i) the ownership of all or any part of the Site, (ii) any act or omission on the part of either Agency or Developer, or their agents, employees, contractors or

invitees, (iii) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Site of any Hazardous Materials or Hazardous Materials Contamination, (iv) the environmental condition of the Site, and (v) any Liabilities incurred under any Governmental Requirements relating to Hazardous Materials. Developer's obligations under this Section 25 shall survive after the issuance of the Certificate of Completion, and shall be a covenant running with the land in perpetuity, binding on all successors and assigns of Developer's interest in either this Agreement or the Site.

(e) Duty to Prevent Hazardous Material Contamination

The Developer shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, the Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with the highest standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials.

(f) Environmental Inquiries

The Developer shall notify the Agency, and provide to the Agency a copy or copies, of the following environmental permits, disclosures, applications, entitlements or inquiries relating to the Site: Notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Developer shall report to the

Agency, as soon as possible after each incident, any unusual, potentially important incidents, including but not limited to, the following:

- (1) All required reports of releases of hazardous materials, including notices of any release of Hazardous Material as required by any Governmental Requirement;
- (2) All fires;
- (3) All instances where asbestos has been or may be disturbed by repair work, tenant improvements or other activities in buildings containing asbestos;
- (4) All notices of suspension of any permits;
- (5) All notices of violation from Federal, State or local environmental authorities;
- (6) All orders under the State Hazardous Waste Control Act and the State Hazardous Substance Account Act and corresponding federal statutes, concerning investigation, compliance schedules, clean up, or other remedial actions;
- (7) All orders under the Porter-Cologne Act, including corrective action orders, cease and desist orders, and clean-up and abatement orders;
- (8) Any notices of violation from OSHA or Cal-OSHA concerning employees' exposure to Hazardous Materials;
- (9) All complaints and other pleadings filed against the Developer and/or the Agency relating to the Developer's storage, use, transportation, handling or disposal of Hazardous Materials on the Site.

In the event of a release of any Hazardous Materials into the environment, the Developer shall, as soon as possible after the release, furnish to the Agency a copy of any and all

reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of the Agency, the Developer shall furnish to the Agency a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Site including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

26. USE IN CONFORMANCE WITH AGREEMENT

The Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof that, during construction and thereafter, the Developer, such successors and such assignees, shall use, operate and maintain the Site in conformity with this Agreement and shall devote the Site to uses specified in this Agreement for the periods of time specified therein.

27. AFFORDABLE RENTAL HOUSING

(a) Number of Units. The Developer covenants and agrees to rehabilitate a total of thirty-six (36) multifamily housing units on the Site in conformance with the Scope of Rehabilitation (Attachment No. 5). The Developer agrees to make available, restrict occupancy to, and rent all of the units to "Lower Income Households" at an "Affordable Rent" (the "Affordable Units").

"Lower Income Household" shall mean a household earning not greater than sixty percent (60%) of Orange County median income, as determined by the United States Department of Housing and Urban Development, as set forth in Health and Safety Code Section 50079.5.

"Affordable Rent" shall have the meaning set forth in Health and Safety Code Section 50053, as further defined in subparagraph (e) of this Section 27.

(b) Duration of Affordability Requirements. The Affordable Units shall be subject to the requirements of this Section 27 for thirty (30) years, beginning on the date of the Agency's issuance of a Certificate of Completion for the Project (the "Commencement Date"). The duration of this requirement shall be known as the "Affordability Period." The Affordability Period may be extended upon mutual agreement of the parties, evidenced by a written amendment to this Agreement. All tenants residing in the Affordable Units during the last two (2) years of the Affordability Period shall be given notice at least once every six (6) months of the expiration date of this requirement, and that the rent payable on the Affordable Unit may be raised to a market rate rent at the end of the Affordability Period. The Developer shall execute, acknowledge and deliver to the Agency a "Declaration of Covenants, Conditions and Restrictions," in the form of Attachment No. 7 hereto and incorporated herein (the "Declaration"), which sets forth all of the requirements of this Section 27 of the Agreement in recordable form. The Developer consents to the recording of the Declaration in the official records of Orange County, California.

(c) Income of Tenants. Prior to the rental or lease of any Affordable Unit to a tenant, and annually thereafter within thirty (30) days of the anniversary date of the tenant's occupancy of the Affordable Unit, the Developer shall submit to the Agency a completed income computation and certification form, in the form of Attachment No. 8 hereto or such other form as may be provided by the Agency. The Developer shall certify that to the best of its knowledge each tenant renting an Affordable Unit is a Lower Income Household, and meets the eligibility

requirements established for the certification from the tenant of each Affordable Unit and shall certify that, to the best of the Developer's knowledge, the income of the tenant is truthfully set forth in the income certification form. The Developer shall verify the income certification of the tenant in one or more of the following methods as specifically requested by the Agency:

- (1) obtain two (2) paycheck stubs from the tenant's two (2) most recent pay periods.
- (2) obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed.
- (3) obtain an income verification certification from the employer of the tenant.
- (4) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies.
- (5) obtain an alternate form of income verification reasonably requested by the Agency, if none of the above forms of verification is available to the Developer.

A person or family who at the time of income certification qualified as a Lower Income Household shall continue to be deemed so qualified, until such time as the person or family's income is redetermined and the person or family is determined by the Agency to no longer be so qualified, even if such person or family's income has subsequently increased to an amount above the applicable income level. Upon the Agency's determination that the tenant is no longer qualified as a Lower Income Household, the next available unit of comparable size must be rented to (or held vacant and available for immediate occupancy by) a Lower Income

Household. Such new tenant shall then constitute a Lower Income Household for the purposes of this Section 27, and until such next available unit is rented to such tenant, the former Lower Income Household who has ceased to qualify as such shall be deemed to continue to be a Lower Income Household for the purposes of this Section 27.

The Developer shall annually submit to the Agency a certified statement of the rental rate, income, ages and family size of each of the tenants of the Affordable Units in a form of Attachment No. 9 hereto or such other form as may be provided by the Agency.

(d) Determination of Affordable Rent for the Affordable Units.

Each Affordable Unit shall be rented at an "Affordable Rent" to be established by the Agency as provided herein. The maximum monthly rental amount for the thirty-six (36) Affordable Units required to be rented to Lower Income Households shall be established at one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of Orange County median income, less an established utility allowance, as annually determined and published by the United States Department of Housing and Urban Development.

The maximum monthly rental amount for each Affordable Unit to be rented to Lower Income Households shall be based upon the assumed household size of two (2) persons for each one (1) bedroom unit and three (3) persons for each two (2) bedroom unit, except as hereinafter provided. Upon the rental of any Affordable Unit to a Lower Income Household which is a "Section 8 Recipient," as defined therein ("Section 8 Unit"), the maximum monthly rental amount for the next Affordable Unit rented to a Lower Income Household which is not a Section 8 Recipient shall be based upon the actual household size of the person or persons occupying such Affordable Unit ("Actual Household Size Unit"). In the event any such

Section 8 Unit is vacated and reredited to a Lower Income Household which is not a Section 8 Recipient, then upon the next vacation of an Actual Household Size Unit, such vacated Actual Household Size Unit shall no longer be an Actual Household Size Unit and the maximum monthly rental amount for such Affordable Unit shall be based upon the assumed household size of two (2) persons if it is a one (1) bedroom unit and three (3) persons if it is a two (2) bedroom unit. In no event, however, shall the rerediting of a Section 8 Unit to a Lower Income Household which is not a Section 8 Recipient authorize the Developer to increase the rental amount charged to an existing tenant of an Actual Household Size Unit. Further, in no event shall the rent by the Developer exceed the rent level defined for Low Income Households in Health and Safety Code Section 50053. If the tenant is a Section 8 Recipient, the sum of that Tenant's rent payment and the federal subsidy may not be greater than the rent charged to a non-Section 8 Recipient.

THE DEVELOPER UNDERSTANDS AND KNOWINGLY AGREES THAT THE MAXIMUM RENTAL PRICE TO BE ESTABLISHED BY THIS FORMULA IS NOT NECESSARILY EQUAL TO THE FAIR MARKET RENT AMOUNT OF THE AFFORDABLE UNITS, AND IS PROBABLY ESTABLISHED AT A PRICE WHICH IS SUBSTANTIALLY BELOW THE FAIR MARKET RENT AMOUNT.

Developer Initials: _____

The maximum monthly rental amount for the Affordable Units shall be determined by the Agency not earlier than ninety (90) days after the date of issuance of building permits and not later than the Commencement Date. The maximum monthly rental amount of the Affordable Units shall be adjusted annually by the formula set forth above upon the

publication of revised Orange County median income figures by the United States Department of Housing and Urban Development.

(e) Selection of Tenants. Developer shall use its best efforts to rent the Affordable Units to qualifying tenants who are not recipients ("non Section 8 Recipients") of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937 or its successor ("Section 8 Program"). In the event that Developer is unable to rent an available unit to a non-Section 8 Recipient, then Section 8 Recipients may be considered as tenants. If the Developer is still unable to rent the available unit, the Agency may, at its sole option, identify a lower income household to occupy the available unit.

(f) Low Income Housing Tax Credits. If the Developer receives Low Income Housing Tax Credits for the project and those credits are applied to reduce the income tax liability of the Developer, no less than fifty percent (50%) of the tax savings must be returned to the Agency to reduce the outstanding Agency Loan balance on the Project.

28. MANAGEMENT AND MAINTENANCE

The Developer shall maintain the improvements on the Site during the Affordability Period in accordance with the Declaration of Covenants, Conditions and Restrictions (Attachment No. 7). If at any the Developer fails to adequately maintain such areas, and such condition is not corrected after expiration of ninety (90) days from the date of written notice from the Agency, the Agency may (but shall not be obligated to) perform the necessary maintenance and Developer shall pay such costs as are reasonably incurred for such maintenance.

Issuance of a Certificate of Completion by the Agency shall not affect Developer's obligations under this section.

29. RIGHTS OF ACCESS

The Agency, for itself and for the City and other public agencies, at their sole risk and expense, shall have the right to enter the Site or any part thereof which is owned or controlled by the Developer, at all reasonable times, for the purpose of construction, reconstruction, maintenance, repair or service of any public improvements or public facilities located on the Site. Any such entry shall be made only after reasonable notice to Developer. Upon receipt of such notice, the Developer agrees to cooperate with the Agency in making the Site available for inspection by the Agency and/or City. Developer acknowledges and agrees that in the event that if for any reason the Developer fails to consent to such entry or inspection, the Agency may obtain an administrative inspection warrant or take such other legal actions as may be necessary to gain entry to and inspect the Site.

30. EFFECT OF VIOLATION OF THE TERMS AND PROVISIONS OF THIS AGREEMENT AFTER COMPLETION OF REHABILITATION

The covenants established in this Agreement shall, without regard to technical classification and designation, be binding upon and for the benefit and in favor of the Developer and the Agency, their respective successors and assigns, as to those covenants which are for their benefit. The covenants contained in this Agreement and the Declaration of Covenants, Conditions and Restrictions (Attachment No. 7) shall remain in effect until the expiration of the Affordability Period defined in Section 27 of this Agreement. The covenants against racial discrimination shall remain in perpetuity.

The Agency is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land, for and in its own rights and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for those benefit this Agreement and the covenants running with the land have been provided. The Agreement and the covenants shall run in favor of the Agency. The Agency shall have the right, if the Agreement or covenants are breached, to exercise all 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 Agreement and covenants may be entitled.

After issuance of a Certificate of Completion for the Project, all of the terms, covenants, agreements and conditions set forth in this Agreement relating to the Site shall cease and terminate as to that portion of the Site for which the Certificate of Completion is issued, excepting only the provisions listed below which shall survive as follows:

- (a) Sections 18, 26 to 29, inclusive, relating to uses, maintenance and access.
- (b) Section 16 (relating to indemnification and insurance) shall remain in effect in accordance with the terms and conditions set forth therein.
- (c) Sections 43 and 44 (relating to rights and remedies) shall remain in effect to the extent necessary to enforce other provisions of this Agreement.
- (d) The Promissory Note (Attachment No. 2), and all provisions contained in or referred to in documents to be recorded pursuant to this Agreement, including without limitation the Deed of Trust (Attachment No. 3), and the Declarations of Covenants, Conditions and Restrictions (Attachment No. 7).

31. NONDISCRIMINATION

The Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall the Developer itself or any person claiming under or through it 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. The foregoing covenants shall run with the land.

The Developer shall refrain from restricting the rental, sale or lease of the property on the basis of race, color, creed, religion, sex, marital status, national origin or ancestry 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 race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, not shall the grantee 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, subtenants,

sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

(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:

"There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin 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."

(c) In contracts: "There shall be no discrimination against or segregation of any person, or group of persons on account of race, color, creed, religion, sex, marital status, ancestry or national origin, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee 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, subtenants, sublessees or vendees of the premises."

The covenants established in this Agreement and the deeds of conveyance for the Site shall, without regard to technical classification and designation, be binding for the benefit and in favor of the Agency, its successors and assigns, the City and any successor in

interest to the Site, together with any property acquired by the Developer pursuant to this Agreement, or any part thereof. The covenants against discrimination shall remain in effect in perpetuity.

32. NOTICES, DEMANDS AND COMMUNICATIONS BETWEEN THE PARTIES

Written notices, demands and communications between the Agency and the Developer shall be sufficiently given if delivered by hand (and a receipt therefor is obtained or is refused to be given) or dispatched by registered or certified mail, postage prepaid, return receipt requested, or sent by telecopy or overnight delivery service, to the principal offices of the Agency and the Developer. Such written notices, demands and communications may be sent in the same manner to the Agency and the Developer at the addresses provided pursuant to Section 3.

Any written notice, demand or communication shall be deemed received immediately if delivered by hand or sent by telecopy, shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail, and shall be deemed received on the next business day after it is sent if delivered by overnight delivery service.

33. CONFLICTS OF INTEREST

No member, official or employee of the Agency shall have any personal interest, direct or indirect, in this Agreement, nor shall any member, official or employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

The Developer warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement.

34. ENFORCED DELAY; EXTENSION OF TIMES OF PERFORMANCE

In addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation; unusually severe weather; acts or omissions of the other party; acts or failures to act of the City or any other public or governmental agency or entity (other than the acts or failures to act of the Agency or the City other than in respect to the zoning of the Site to allow development of the Developer Improvements); or any other causes beyond the control or without the fault of the party claiming an extension of time to perform. Notwithstanding anything to the contrary in this Agreement, an extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Any requests for extension shall be in writing. Times of performance under this Agreement may also be extended in writing by the mutual agreement of Agency and Developer.

35. NONLIABILITY OF OFFICIALS AND EMPLOYEES OF THE AGENCY; NONLIABILITY OF GENERAL PARTNERS OF DEVELOPER FOR DEFAULTS UNDER DEED OF TRUST

No member, official or employee of the Agency or the City shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the

Agency (or the City) or for any amount which may become due to the Developer or its successors, or on any obligations under the terms of this Agreement.

In the event of any default by the Developer under the terms of the Deed of Trust, no general partner of the Developer shall be personally liable for any amount which may become due to the Agency as a result of such default.

36. DEFAULTS

Subject to the extensions of time set forth in Section 34, failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The party who so fails or delays must immediately commence to cure, correct, or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence.

The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute proceedings for damages or specific performance against the party in default until thirty (30) days after giving such notice in the case of monetary defaults or defaults reasonably capable of being cured within thirty (30) days, provided that such party immediately commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

37. INSTITUTION OF LEGAL ACTIONS

In addition to any other rights or remedies and subject to the restrictions in Section 36, either party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of

this Agreement. Legal actions must be instituted in the Superior Court of the County of Orange, State of California, in an appropriate municipal court in that county, or in the Federal District Court in the Central District of California.

38. APPLICABLE LAW

The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

39. ACCEPTANCE OF SERVICE OF PROCESS

In the event that any legal action is commenced by the Developer against the Agency, service of process on the Agency shall be made by personal service upon the Executive Director or in such other manner as may be provided by law. In the event that any legal action is commenced by the Agency against the Developer, service of process on the Developer shall be made by personal service upon its General Partner or in such other manner as may be provided by law.

40. RIGHTS AND REMEDIES ARE CUMULATIVE

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

41. INACTION NOT A WAIVER OF DEFAULT

Any failures or delays by either party 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, or

deprive either such party 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.

42. LIQUIDATED DAMAGES

IN THE EVENT THAT THE DEVELOPER IS IN DEFAULT OF ITS OBLIGATIONS PURSUANT TO SECTION 27 OF THIS AGREEMENT, AND HAS NOT CURED SUCH DEFAULT WITHIN THE TIME REQUIRED BY SECTION 36 OF THIS AGREEMENT, THE AGENCY SHALL BE ENTITLED TO OBTAIN PAYMENT IN THE AMOUNT OF THE AGENCY GRANT WHICH HAS BEEN DISBURSED PURSUANT TO SECTION 8 OF THIS AGREEMENT, PLUS THE IMMEDIATE REPAYMENT OF THE AGENCY LOAN, PRINCIPAL AND INTEREST EARNED THEREON. IN THE EVENT OF SUCH DEFAULT PURSUANT TO SECTION 27 OF THIS AGREEMENT, THE AGENCY WOULD SUSTAIN DAMAGES BY REASON THEREOF WHICH WOULD BE UNCERTAIN. SUCH DAMAGES WOULD INVOLVE SUCH VARIABLE FACTORS AS THE DELAY OR FAILURE OF THE AGENCY AND THE CITY TO PROVIDE AFFORDABLE HOUSING AS REQUIRED BY THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW AND THE CITY GENERAL PLAN, AND THE LOSS OF OPPORTUNITY TO ENGAGE IN OTHER POTENTIAL AFFORDABLE HOUSING TRANSACTIONS, RESULTING IN DAMAGE AND LOSS TO THE AGENCY. IT IS IMPRACTICABLE AND EXTREMELY DIFFICULT TO FIX THE AMOUNT OF SUCH DAMAGES TO THE AGENCY, BUT THE PARTIES ARE OF THE OPINION THAT SUCH DAMAGES WOULD APPROXIMATELY EQUAL THE SUM SET FORTH HEREIN, AND THE AGENCY SHALL BE ENTITLED TO SUCH AMOUNT AS A TOTAL OF ALL

LIQUIDATED DAMAGES FOR SUCH DEFAULT AND NOT AS A PENALTY. IN THE EVENT THAT THE DEVELOPER SHOULD CHALLENGE THE APPLICABILITY OR EFFICACY OF THIS PARAGRAPH OR IF THIS PARAGRAPH SHOULD BE HELD VOID FOR ANY REASON, THE AGENCY SHALL BE ENTITLED TO THE FULL EXTENT OF DAMAGES OTHERWISE PROVIDED BY LAW. THE DEVELOPER AND THE AGENCY SPECIFICALLY ACKNOWLEDGE THIS LIQUIDATED DAMAGES PROVISION BY THEIR INITIALS BELOW:

 HDS
Developer's Initials

 RRS
Agency's Initials

By: Francis D. Storale By: Ray Silber

43. REMEDIES AND RIGHTS OF TERMINATION PRIOR TO COMPLETION OF THE REHABILITATION PROJECT

(a) Damages. If either party defaults with regard to any of the provisions of this Agreement, the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured within the applicable period after service of the notice of default as set forth in Section 36, the defaulting party shall be liable to the other party for any damages caused by such default, except as provided in Sections 43(c) or 43(d) herein.

(b) Specific Performance. Subject to the applicable cure provisions contained in Section 36 herein, if either party defaults under any of the provisions of this Agreement, the non-defaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured by the defaulting party within the applicable cure period as set forth in Section 36, the non-defaulting party at its option may thereafter (but not before) see specific performance of terms of this Agreement.

(c) Termination by the Developer Prior to Completion. In the event that prior to the Issuance of a Certificate of Completion the Developer is not in default of the Agreement and the Agency is in default of the Agreement and has not cured or commenced to cure such default within the time period set forth in Section 36 hereof, then subject to the applicable cure provisions contained in Section 36 herein, at the option of the Developer, thirty (30) days after written notice thereof is delivered to the Agency all provisions of this Agreement shall terminate and be of no further force and effect; thereafter, neither the Agency nor the Developer shall have any further rights against or liability to the other with respect to this Agreement.

(d) Termination by the Agency Prior to Completion. In the event that prior to the issuance of the Certificate of Completion the Agency is not in default of this Agreement and:

(1) The Developer (or any successor in interest) assigns or attempts to assign the Agreement or any rights therein or in the Site in violation of this Agreement; or

(2) There is a change in the ownership of the Developer contrary to the provisions of Section 5 hereof; or

(3) The Developer does not submit certificates of insurance, construction plans, drawings and related documents as required by this Agreement, in the manner and by the dates respectively provided in this Agreement therefor and such default or failure shall not be cured within the applicable cure period as set forth in Section 36 hereof; or

(4) The Developer is otherwise in default under this Agreement and has not cured or commenced to cure such default within the applicable time period set forth in Section 36 herein;

Then, at the option of the Agency, within the applicable cure period as set forth in Section 36 hereof, after written notice thereof is delivered to the Developer, this Agreement shall be terminated, and thereafter neither party shall have any further rights against the other under this Agreement.

44. REMEDIES OF THE PARTIES FOR DEFAULT AFTER COMPLETION OF THE REHABILITATION PROJECT

(a) Termination and Damages. After the issuance of the Certificate of Completion, if the Developer or the Agency defaults with regard to any of the provisions of this Agreement, the nondefaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured by the defaulting party within the time set forth in Section 36 hereof, the defaulting party shall be liable to the other party for any damages caused by such default.

(b) Action for Specific Performance. After the issuance of the Certificate of Completion, if either the Developer or the Agency defaults under any of the provisions of this Agreement the nondefaulting party shall serve written notice of such default upon the defaulting party. If the default is not cured by the defaulting party within the time set forth in Section 36 hereof, the nondefaulting party at its option may institute an action for specific performance of the terms of this Agreement.

45. NO AGENCY LIABILITY FOR REAL ESTATE COMMISSIONS

The Agency shall not be liable for any real estate commissions, broker's fees, or finder's fees which may accrue by means of this Agreement or the Developer's rehabilitation of the Site. The Developer agrees to hold harmless the Agency from such commissions or fees as are alleged to be due from the party making any such representations.

46. SUCCESSORS IN INTEREST

The terms, covenants, conditions and restrictions of this Agreement shall extend to and shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the Developer.

47. MEMORANDUM OF AGREEMENT

The Agency and the Developer agree to execute, acknowledge and cause to be recorded in the Official Records of Orange County, California, a short form memorandum of this Agreement in the form of the "Memorandum of Agreement" attached hereto as Attachment No. 10 and incorporated herein. The Memorandum of Agreement shall be for recording purposes only and shall not modify any of the terms of this Agreement. The Agency may cause the Memorandum of Agreement to be recorded upon the execution of this Agreement.

48. ENTIRE AGREEMENT

This Agreement includes pages 1 through 49 and Attachments 1 through 10, which constitute the entire understanding and agreement of the parties. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

49. WAIVERS

All waivers of the provisions of this Agreement must be in writing by the appropriate authorities of the Agency and the Developer, and all amendments hereto must be in writing by the appropriate authorities of the Agency and the Developer. In any circumstances

where under this Agreement either party is required to approve or disapprove any matter, approval shall not be unreasonably withheld.

50. TIME FOR ACCEPTANCE OF AGREEMENT BY AGENCY

This Agreement, when executed by the Developer and delivered to the Agency, must be authorized, executed and delivered by the Agency on or before thirty (30) days after signing and delivery of this Agreement by Developer or this Agreement shall be void, except to the extent that the Developer shall consent in writing to a further extension of time for the authorization, execution

REST OF PAGE INTENTIONALLY LEFT BLANK

and delivery of this Agreement. The date of this Agreement shall be the date when it shall have been approved and adopted by the Agency.

IN WITNESS WHEREOF, the Agency and the Developer have caused this Agreement to be executed by and through their authorized officers on this ~~2nd~~ ^{22nd} day of ~~May~~ ^{November}, 1996.

ASSOCIATES NINE, a
California general partnership

REDEVELOPMENT AGENCY OF THE
CITY OF HUNTINGTON BEACH, a
public body corporate and politic

By: Horace C. Stovall
Horace C. Stovall
General Partner

By: [Signature]
Chairman

By: Melvin R. Heckman
Melvin R. Heckman
General Partner

ATTEST:

[Signature]
Agency Clerk

APPROVED AS TO FORM:

[Signature]
for Agency General Counsel Re 11/13/96
11-19-96

INITIATED AND APPROVED:

[Signature]
Director of Special Projects
Economic Development

REVIEWED AND APPROVED:

[Signature]
Acting Executive Director

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

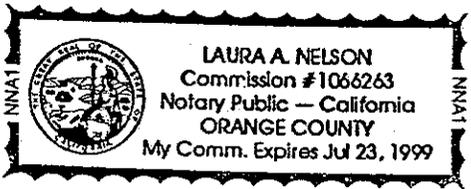
County of Orange

On December 6, 1996 before me, Laura A. Nelson, Notary Public

personally appeared Dave Sullivan and Connie Broadway
Name(s) of Signer(s)

personally known to me **OR** proved to me on the basis of satisfactory evidence to be the person(s)

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



WITNESS my hand and official seal.

[Signature]
Signature of Notary Public

OPTIONAL

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

Description of Attached Document

Title or Type of Document: Affordable Housing Agreement - 725-733 Utica

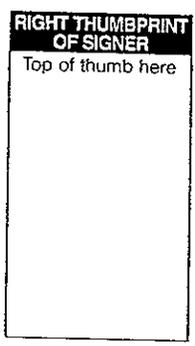
Document Date: 5/2/96 Number of Pages: 89

Signer(s) Other Than Named Above: Horace C. Stovall, Melvin K. Heckman, David C. Biggs

Capacity(ies) Claimed by Signer(s)

Signer's Name: Dave Sullivan

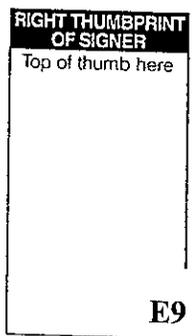
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: Chairman



Signer Is Representing:
Redevelopment Agency of Huntington Beach

Signer's Name: Connie Broadway

- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: Agency Clerk



Signer Is Representing:
Redevelopment Agency of Huntington Beach

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

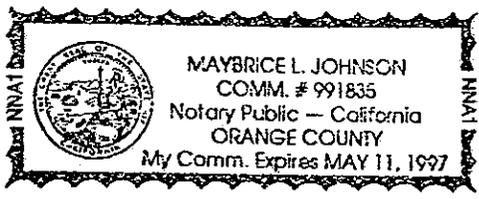
State of California

County of Orange

On March 7, 1997 before me, Maybrice Johnson, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Ray Silver
Name(s) of Signer(s)

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



WITNESS my hand and official seal.

Maybrice L. Johnson
Signature of Notary Public

OPTIONAL

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

Description of Attached Document

Title or Type of Document: Affordable Housing Agreement - Rehab 725-733
Utica Ave.

Document Date: 11/22/96 Number of Pages: _____

Signer(s) Other Than Named Above: Stovall & Heckman, Principals, Agency
Clrk, Economic Development Department,

Capacity(ies) Claimed by Signer(s) Chairman, Agency Council,

Signer's Name: Ray Silver

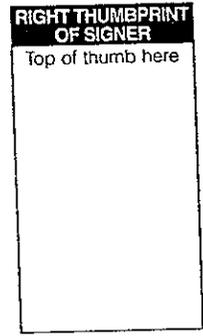
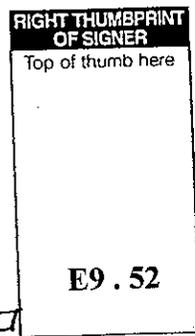
Signer's Name: _____

- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: Acting Executive

- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing:
City of Huntington
Beach Redevelopment
Agency

Signer Is Representing:



PROMISSORY NOTE
SECURED BY DEED OF TRUST

Huntington Beach, California
May 2, 1996

1. Affordable Housing Agreement. This Promissory Note is made and delivered pursuant to and in implementation of an Affordable Housing Agreement by and between the REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH, a public body corporate and politic (the "Holder") and ASSOCIATES NINE, a California general partnership (the "Borrower"), dated ~~May 2, 1996~~ (the "Agreement"), a copy of which is on file as a public record with the Holder and is incorporated herein by reference. The Agreement provides for the rehabilitation of certain housing units owned by the Borrower, and for the payment of moneys by the Holder to the Borrower upon certain events therein set forth. The Borrower acknowledges that but for the execution of this Promissory Note, the Holder would not enter into the Agreement. Unless definitions of terms are expressly set out at length herein, each term shall have the same definition as set forth in the Agreement.

November 22, 1996

2. Promise to Pay. Upon payment of the "Agency Loan" to Borrower pursuant to Section 6 of the Agreement, Borrower promises to pay Holder at the office of the Agency in Huntington Beach, California, or at such other place as the Holder may designate in writing, the principal sum of Four Hundred Forty-six Thousand Dollars (\$446,000) (the "Note Amount").

3. Interest Rate. Compound interest shall be charged by the Agency on the portion of the Note Amount remaining unpaid, from the date of the disbursement of the Note Amount until the date which is thirty (30) years from the date of the disbursement of the Note Amount, at the prime rate of the San Francisco office of the Federal Reserve Bank which is prevailing on the date this Agreement is approved and adopted by the Agency, plus one and one-half percent (1.5%).

4. Principal and Interest Payments.
(a) No payments of principal and interest shall be required during the term of the loan. On the date which is 30 years from the date of the disbursement of the Note Amount, the Borrower shall repay the entire Note Amount plus all interest earned thereon, except as hereinafter provided.

(b) The full amount of this Promissory Note, with all interest accrued thereon, shall be immediately due and payable upon the Developer's uncured default of the Agreement and/or this Promissory Note.

(c) Provided that the Developer remains in compliance with the affordability provisions of the Agreement, this Promissory Note shall be forgiven, and no payment required, as follows:

- (1) Each year following the adoption of this Agreement, on the anniversary date thereof, the Agency will determine whether or not the Developer has complied with the affordability requirements of the Agreement.
- (2) If the Agency finds that the Developer has complied, an amount equivalent to one-thirtieth (1/30) of the Note Amount, plus accrued interest, shall be forgiven from repayment.
- (3) If the Agency finds the Developer has not complied, the Developer shall be considered to be in default of the Agreement, and the provisions of the Agreement relating to defaults shall be applicable.
- (4) The determination of compliance shall be made in the Agency's sole discretion.

5. Prepayment. Privilege is reserved to make prepayments of principal on this Note without penalty or fee.

6. Non-Waiver. Failure to exercise any right the Holder may have or be entitled to, in the event of any default hereunder, shall not constitute a waiver of such right or any other right in the event of subsequent default.

7. Waiver of Presentment, etc. The Borrower and all guarantors and endorsers hereof hereby severally waive presentment for payment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Note and consent that the holder hereof may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidenced by this Note, by agreement between the Holder and Borrower, and such consent shall not alter or diminish the liability of any person or the enforceability of this Note. Each and every party signing or endorsing this Note binds itself as a principal and not as a surety. In any action of proceeding to recover any sum herein provided for, no defense of adequacy of security, or that resort must first be had to security or to any other person shall be asserted. All of the terms, covenants, provisions, and conditions herein contained are made on behalf of, and shall apply to and bind, the undersigned and its successors and assigns, jointly and severally.

8. Collection Costs. If any attorney is engaged by the Holder to enforce or construe any provision of this Note or the Deed of Trust, or as a consequence of any default or event of default hereunder, with or without the filing of any legal action or proceeding, then Borrower shall immediately pay upon demand all attorney's fees and all other costs incurred by Holder, together with interest thereon from the date of such demand until paid at the rate of interest applicable to the principal owing hereunder as if such unpaid attorney's fees and costs have been added to the principal.

9. Security of Note. This Note is secured, *inter alia*, by a Deed of Trust (the "Deed of Trust") of even date herewith executed by Borrower covering property located in Orange County, State of California, together with the buildings and improvements now or hereafter erected thereon.

10. Maximum Interest. No provision of this Note or any instrument securing payment hereof or otherwise relating to the debt evidenced hereby shall require the payment or permit the collection of interest in excess of the maximum permitted by applicable law. If any excess of interest in such respect is herein or in such other instrument provided for, or shall be adjudicated to be so provided for herein or in any such instrument, the provisions of this paragraph shall govern, and neither Borrower or any endorsers of this Note nor their respective heirs, personal representatives, successors or assigns shall be obligated to pay the amount of such interest to the extent it is in excess of the amount permitted by applicable law.

11. Business Purpose. The undersigned warrants and represents that all funds advanced under this Note shall be applied and are intended solely for business or commercial purposes as set forth in the Agreement and not for any personal, family or household purposes.

12. Notice. Any demand or notice to be made or given under the terms hereof or any instrument now or hereafter securing this Note by the Holder to Borrower shall be effective when mailed or delivered in the manner specified in the Deed of Trust.

13. Default. In the event that there is a default in payment as scheduled herein or a default under the terms of the Deed of Trust securing this Note, or a default of the Agreement or in any other instrument executed by Borrower or any guarantor in favor of the Holder, the Holder may at its election and without further notice, declare all amounts of the outstanding principal and accrued interest thereon immediately due and payable. In the event that the Holder elects to declare default as stated herein, then this Note shall bear interest after default at the discount rate of the San Francisco office of the Federal Reserve Bank which is prevailing immediately prior to default, plus five percent (5%), and the Holder may take such action under the law or under these security documents securing this Note as Holder may determine necessary to enforce its rights hereunder.

14. Early Payment Requirement. Reference is made to the Deed of Trust for the right of the Beneficiary thereunder to accelerate the indebtedness evidenced by this Note.

IN WITNESS HEREOF, this instrument has been executed as of the date set forth below.

ASSOCIATES NINE, a
California general partnership


Horace C. Stovall
General Partner


Melvin R. Heckman
General Partner

Dated ~~May 2, 1996~~
November 22, 1996

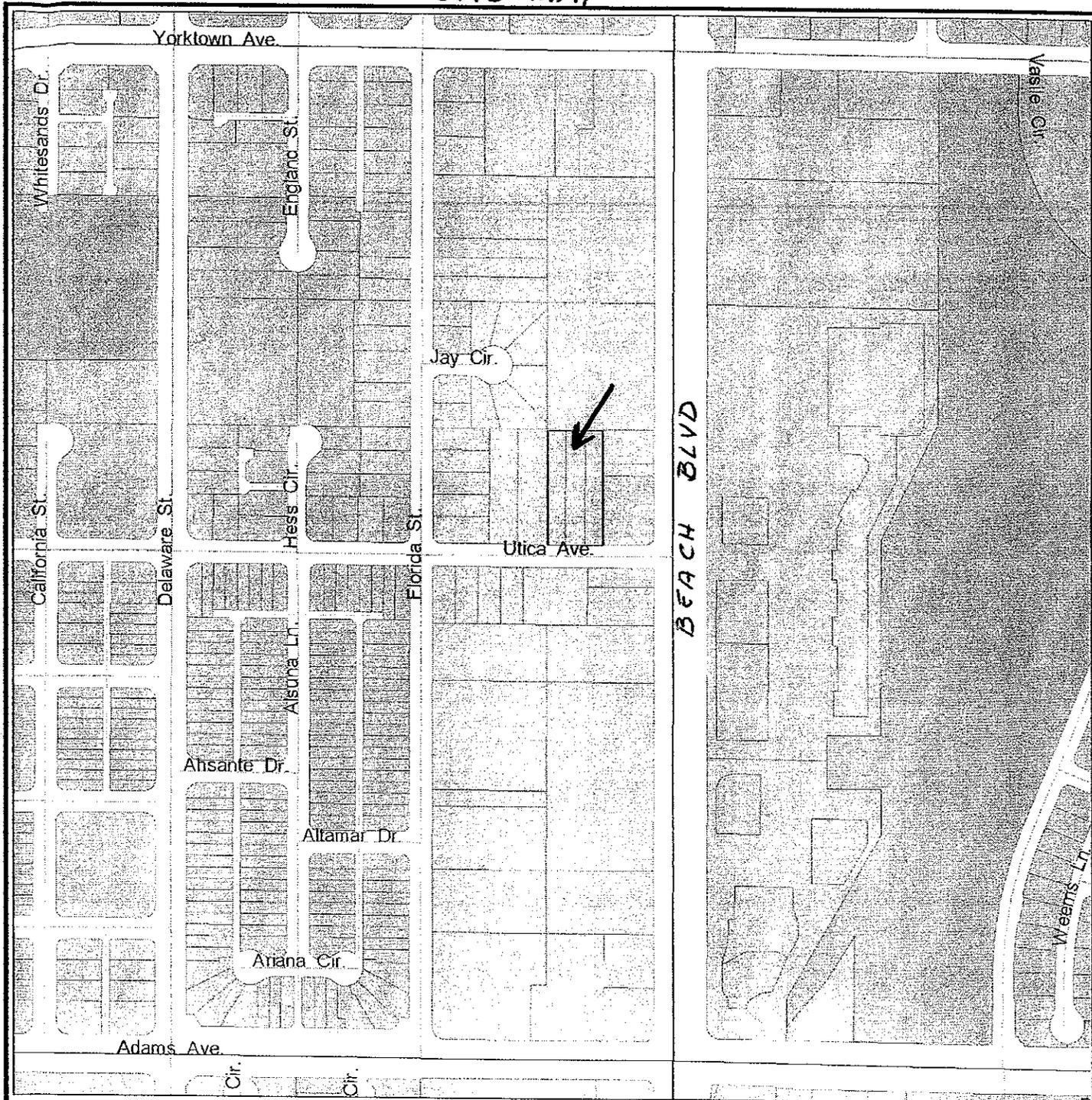
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ATTACHMENT #2

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SITE MAP



Sea Aire Apartments (725-733 Utica)

Map produced by information contained in the City of Huntington Beach Information Services Department Geographic Information System. Information warranted for City use only. Huntington Beach does not guarantee its completeness or accuracy.
Map Produced on 6/2/2008



HB
GIS

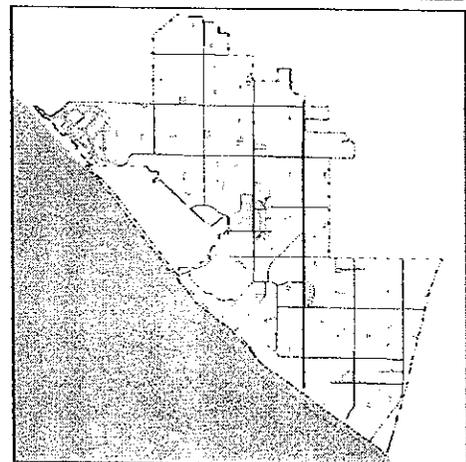
0 383 766



One inch equals 383 feet

- STREET NAMES
/
- CITY BOUNDARY
- - -
- STREET CENTERLINES (CLASS)
- Smartstreet
 - Major
 - Collector
 - Primary
 - Secondary
 - Residential
 - Travelway
 - Alley

ISOBATHS
HARBOR



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ATTACHMENT #3

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**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
Beginning Balance \$446,000
Interest Rate 10%

Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance
May-94	446,000.00	0.83%	3,716.67			449,716.67
Jun-94	449,716.67	0.83%	3,747.64			453,464.31
Jul-94	453,464.31	0.83%	3,778.87			457,243.17
Aug-94	457,243.17	0.83%	3,810.36			461,053.53
Sep-94	461,053.53	0.83%	3,842.11			464,895.65
Oct-94	464,895.65	0.83%	3,874.13			468,769.78
Nov-94	468,769.78	0.83%	3,906.41			472,676.19
Dec-94	472,676.19	0.83%	3,938.97			476,615.16
Jan-95	476,615.16	0.83%	3,971.79			480,586.95
Feb-95	480,586.95	0.83%	4,004.89			484,591.85
Mar-95	484,591.85	0.83%	4,038.27			488,630.11
Apr-95	488,630.11	0.83%	4,071.92			492,702.03
May-95	492,702.03	0.83%	4,105.85			496,807.88
Jun-95	496,807.88	0.83%	4,140.07			500,947.94
Jul-95	500,947.94	0.83%	4,174.57			505,122.51
Aug-95	505,122.51	0.83%	4,209.35			509,331.86
Sep-95	509,331.86	0.83%	4,244.43			513,576.30
Oct-95	513,576.30	0.83%	4,279.80			517,856.10
Nov-95	517,856.10	0.83%	4,315.47			522,171.57
Dec-95	522,171.57	0.83%	4,351.43			526,523.00
Jan-96	526,523.00	0.83%	4,387.69			530,910.69
Feb-96	530,910.69	0.83%	4,424.26			535,334.94
Mar-96	535,334.94	0.83%	4,461.12			539,796.07
Apr-96	539,796.07	0.83%	4,498.30			544,294.37
May-96	544,294.37	0.83%	4,535.79			548,830.16
Jun-96	548,830.16	0.83%	4,573.58			553,403.74
Jul-96	553,403.74	0.83%	4,611.70			558,015.44
Aug-96	558,015.44	0.83%	4,650.13			562,665.57
Sep-96	562,665.57	0.83%	4,688.88			567,354.45
Oct-96	567,354.45	0.83%	4,727.95			572,082.40
Nov-96	572,082.40	0.83%	4,767.35			576,849.75
Dec-96	576,849.75	0.83%	4,807.08			581,656.83
Jan-97	581,656.83	0.83%	4,847.14			586,503.97
Feb-97	586,503.97	0.83%	4,887.53			591,391.51
Mar-97	591,391.51	0.83%	4,928.26			596,319.77
Apr-97	596,319.77	0.83%	4,969.33			601,289.10
May-97	601,289.10	0.83%	5,010.74			606,299.84
1 Jun-97	606,299.84	0.83%	5,052.50	0.88%	5,320.72	606,031.63
2 Jul-97	606,031.63	0.83%	5,050.26	0.88%	5,320.72	605,761.18
3 Aug-97	605,761.18	0.83%	5,048.01	0.88%	5,320.72	605,488.47
4 Sep-97	605,488.47	0.83%	5,045.74	0.88%	5,320.72	605,213.49
5 Oct-97	605,213.49	0.83%	5,043.45	0.88%	5,320.72	604,936.22
6 Nov-97	604,936.22	0.83%	5,041.14	0.88%	5,320.72	604,656.64
7 Dec-97	604,656.64	0.83%	5,038.81	0.88%	5,320.72	604,374.73
8 Jan-98	604,374.73	0.83%	5,036.46	0.88%	5,320.72	604,090.48

**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
Beginning Balance \$446,000
Interest Rate 10%

Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance
9 Feb-98	604,090.48	0.83%	5,034.09	0.88%	5,320.72	603,803.85
10 Mar-98	603,803.85	0.83%	5,031.70	0.88%	5,320.72	603,514.83
11 Apr-98	603,514.83	0.83%	5,029.29	0.88%	5,320.72	603,223.41
12 May-98	603,223.41	0.83%	5,026.86	0.88%	5,320.72	602,929.55
13 Jun-98	602,929.55	0.83%	5,024.41	0.88%	5,320.72	602,633.25
14 Jul-98	602,633.25	0.83%	5,021.94	0.88%	5,320.72	602,334.48
15 Aug-98	602,334.48	0.83%	5,019.45	0.88%	5,320.72	602,033.22
16 Sep-98	602,033.22	0.83%	5,016.94	0.88%	5,320.72	601,729.45
17 Oct-98	601,729.45	0.83%	5,014.41	0.88%	5,320.72	601,423.14
18 Nov-98	601,423.14	0.83%	5,011.86	0.88%	5,320.72	601,114.29
19 Dec-98	601,114.29	0.83%	5,009.29	0.89%	5,320.72	600,802.86
20 Jan-99	600,802.86	0.83%	5,006.69	0.89%	5,320.72	600,488.83
21 Feb-99	600,488.83	0.83%	5,004.07	0.89%	5,320.72	600,172.19
22 Mar-99	600,172.19	0.83%	5,001.43	0.89%	5,320.72	599,852.91
23 Apr-99	599,852.91	0.83%	4,998.77	0.89%	5,320.72	599,530.97
24 May-99	599,530.97	0.83%	4,996.09	0.89%	5,320.72	599,206.35
25 Jun-99	599,206.35	0.83%	4,993.39	0.89%	5,320.72	598,879.02
26 Jul-99	598,879.02	0.83%	4,990.66	0.89%	5,320.72	598,548.96
27 Aug-99	598,548.96	0.83%	4,987.91	0.89%	5,320.72	598,216.16
28 Sep-99	598,216.16	0.83%	4,985.13	0.89%	5,320.72	597,880.58
29 Oct-99	597,880.58	0.83%	4,982.34	0.89%	5,320.72	597,542.20
30 Nov-99	597,542.20	0.83%	4,979.52	0.89%	5,320.72	597,201.00
31 Dec-99	597,201.00	0.83%	4,976.68	0.89%	5,320.72	596,856.96
32 Jan-00	596,856.96	0.83%	4,973.81	0.89%	5,320.72	596,510.06
33 Feb-00	596,510.06	0.83%	4,970.92	0.89%	5,320.72	596,160.26
34 Mar-00	596,160.26	0.83%	4,968.00	0.89%	5,320.72	595,807.54
35 Apr-00	595,807.54	0.83%	4,965.06	0.89%	5,320.72	595,451.89
36 May-00	595,451.89	0.83%	4,962.10	0.89%	5,320.72	595,093.28
37 Jun-00	595,093.28	0.83%	4,959.11	0.89%	5,320.72	594,731.67
38 Jul-00	594,731.67	0.83%	4,956.10	0.89%	5,320.72	594,367.05
39 Aug-00	594,367.05	0.83%	4,953.06	0.90%	5,320.72	593,999.40
40 Sep-00	593,999.40	0.83%	4,949.99	0.90%	5,320.72	593,628.68
41 Oct-00	593,628.68	0.83%	4,946.91	0.90%	5,320.72	593,254.87
42 Nov-00	593,254.87	0.83%	4,943.79	0.90%	5,320.72	592,877.94
43 Dec-00	592,877.94	0.83%	4,940.65	0.90%	5,320.72	592,497.88
44 Jan-01	592,497.88	0.83%	4,937.48	0.90%	5,320.72	592,114.65
45 Feb-01	592,114.65	0.83%	4,934.29	0.90%	5,320.72	591,728.22
46 Mar-01	591,728.22	0.83%	4,931.07	0.90%	5,320.72	591,338.57
47 Apr-01	591,338.57	0.83%	4,927.82	0.90%	5,320.72	590,945.68
48 May-01	590,945.68	0.83%	4,924.55	0.90%	5,320.72	590,549.51
49 Jun-01	590,549.51	0.83%	4,921.25	0.90%	5,320.72	590,150.04
50 Jul-01	590,150.04	0.83%	4,917.92	0.90%	5,320.72	589,747.24
51 Aug-01	589,747.24	0.83%	4,914.56	0.90%	5,320.72	589,341.09
52 Sep-01	589,341.09	0.83%	4,911.18	0.90%	5,320.72	588,931.55
53 Oct-01	588,931.55	0.83%	4,907.76	0.90%	5,320.72	588,518.60

**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
Beginning Balance \$446,000
Interest Rate 10%

Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance
54 Nov-01	588,518.60	0.83%	4,904.32	0.90%	5,320.72	588,102.20
55 Dec-01	588,102.20	0.83%	4,900.85	0.90%	5,320.72	587,682.34
56 Jan-02	587,682.34	0.83%	4,897.35	0.91%	5,320.72	587,258.98
57 Feb-02	587,258.98	0.83%	4,893.82	0.91%	5,320.72	586,832.09
58 Mar-02	586,832.09	0.83%	4,890.27	0.91%	5,320.72	586,401.64
59 Apr-02	586,401.64	0.83%	4,886.68	0.91%	5,320.72	585,967.61
60 May-02	585,967.61	0.83%	4,883.06	0.91%	5,320.72	585,529.95
61 Jun-02	585,529.95	0.83%	4,879.42	0.91%	5,320.72	585,088.66
62 Jul-02	585,088.66	0.83%	4,875.74	0.91%	5,320.72	584,643.68
63 Aug-02	584,643.68	0.83%	4,872.03	0.91%	5,320.72	584,195.00
64 Sep-02	584,195.00	0.83%	4,868.29	0.91%	5,320.72	583,742.57
65 Oct-02	583,742.57	0.83%	4,864.52	0.91%	5,320.72	583,286.38
66 Nov-02	583,286.38	0.83%	4,860.72	0.91%	5,320.72	582,826.38
67 Dec-02	582,826.38	0.83%	4,856.89	0.91%	5,320.72	582,362.55
68 Jan-03	582,362.55	0.83%	4,853.02	0.91%	5,320.72	581,894.86
69 Feb-03	581,894.86	0.83%	4,849.12	0.91%	5,320.72	581,423.27
70 Mar-03	581,423.27	0.83%	4,845.19	0.92%	5,320.72	580,947.75
71 Apr-03	580,947.75	0.83%	4,841.23	0.92%	5,320.72	580,468.26
72 May-03	580,468.26	0.83%	4,837.24	0.92%	5,320.72	579,984.78
73 Jun-03	579,984.78	0.83%	4,833.21	0.92%	5,320.72	579,497.28
74 Jul-03	579,497.28	0.83%	4,829.14	0.92%	5,320.72	579,005.71
75 Aug-03	579,005.71	0.83%	4,825.05	0.92%	5,320.72	578,510.04
76 Sep-03	578,510.04	0.83%	4,820.92	0.92%	5,320.72	578,010.24
77 Oct-03	578,010.24	0.83%	4,816.75	0.92%	5,320.72	577,506.28
78 Nov-03	577,506.28	0.83%	4,812.55	0.92%	5,320.72	576,998.11
79 Dec-03	576,998.11	0.83%	4,808.32	0.92%	5,320.72	576,485.72
80 Jan-04	576,485.72	0.83%	4,804.05	0.92%	5,320.72	575,969.05
81 Feb-04	575,969.05	0.83%	4,799.74	0.92%	5,320.72	575,448.08
82 Mar-04	575,448.08	0.83%	4,795.40	0.92%	5,320.72	574,922.76
83 Apr-04	574,922.76	0.83%	4,791.02	0.93%	5,320.72	574,393.07
84 May-04	574,393.07	0.83%	4,786.61	0.93%	5,320.72	573,858.96
85 Jun-04	573,858.96	0.83%	4,782.16	0.93%	5,320.72	573,320.41
86 Jul-04	573,320.41	0.83%	4,777.67	0.93%	5,320.72	572,777.36
87 Aug-04	572,777.36	0.83%	4,773.14	0.93%	5,320.72	572,229.79
88 Sep-04	572,229.79	0.83%	4,768.58	0.93%	5,320.72	571,677.66
89 Oct-04	571,677.66	0.83%	4,763.98	0.93%	5,320.72	571,120.92
90 Nov-04	571,120.92	0.83%	4,759.34	0.93%	5,320.72	570,559.55
91 Dec-04	570,559.55	0.83%	4,754.66	0.93%	5,320.72	569,993.50
92 Jan-05	569,993.50	0.83%	4,749.95	0.93%	5,320.72	569,422.73
93 Feb-05	569,422.73	0.83%	4,745.19	0.93%	5,320.72	568,847.20
94 Mar-05	568,847.20	0.83%	4,740.39	0.94%	5,320.72	568,266.88
95 Apr-05	568,266.88	0.83%	4,735.56	0.94%	5,320.72	567,681.72
96 May-05	567,681.72	0.83%	4,730.68	0.94%	5,320.72	567,091.69
97 Jun-05	567,091.69	0.83%	4,725.76	0.94%	5,320.72	566,496.74
98 Jul-05	566,496.74	0.83%	4,720.81	0.94%	5,320.72	565,896.83

**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
Beginning Balance \$446,000
Interest Rate 10%

Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance
99 Aug-05	565,896.83	0.83%	4,715.81	0.94%	5,320.72	565,291.92
100 Sep-05	565,291.92	0.83%	4,710.77	0.94%	5,320.72	564,681.97
101 Oct-05	564,681.97	0.83%	4,705.68	0.94%	5,320.72	564,066.94
102 Nov-05	564,066.94	0.83%	4,700.56	0.94%	5,320.72	563,446.78
103 Dec-05	563,446.78	0.83%	4,695.39	0.94%	5,320.72	562,821.46
104 Jan-06	562,821.46	0.83%	4,690.18	0.95%	5,320.72	562,190.92
105 Feb-06	562,190.92	0.83%	4,684.92	0.95%	5,320.72	561,555.13
106 Mar-06	561,555.13	0.83%	4,679.63	0.95%	5,320.72	560,914.04
107 Apr-06	560,914.04	0.83%	4,674.28	0.95%	5,320.72	560,267.61
108 May-06	560,267.61	0.83%	4,668.90	0.95%	5,320.72	559,615.79
109 Jun-06	559,615.79	0.83%	4,663.46	0.95%	5,320.72	558,958.54
110 Jul-06	558,958.54	0.83%	4,657.99	0.95%	5,320.72	558,295.81
111 Aug-06	558,295.81	0.83%	4,652.47	0.95%	5,320.72	557,627.56
112 Sep-06	557,627.56	0.83%	4,646.90	0.95%	5,320.72	556,953.74
113 Oct-06	556,953.74	0.83%	4,641.28	0.96%	5,320.72	556,274.31
114 Nov-06	556,274.31	0.83%	4,635.62	0.96%	5,320.72	555,589.22
115 Dec-06	555,589.22	0.83%	4,629.91	0.96%	5,320.72	554,898.41
116 Jan-07	554,898.41	0.83%	4,624.15	0.96%	5,320.72	554,201.85
117 Feb-07	554,201.85	0.83%	4,618.35	0.96%	5,320.72	553,499.48
118 Mar-07	553,499.48	0.83%	4,612.50	0.96%	5,320.72	552,791.26
119 Apr-07	552,791.26	0.83%	4,606.59	0.96%	5,320.72	552,077.14
120 May-07	552,077.14	0.83%	4,600.64	0.96%	5,320.72	551,357.07
121 Jun-07	551,357.07	0.83%	4,594.64	0.97%	5,320.72	550,631.00
122 Jul-07	550,631.00	0.83%	4,588.59	0.97%	5,320.72	549,898.87
123 Aug-07	549,898.87	0.83%	4,582.49	0.97%	5,320.72	549,160.65
124 Sep-07	549,160.65	0.83%	4,576.34	0.97%	5,320.72	548,416.27
125 Oct-07	548,416.27	0.83%	4,570.14	0.97%	5,320.72	547,665.69
126 Nov-07	547,665.69	0.83%	4,563.88	0.97%	5,320.72	546,908.86
127 Dec-07	546,908.86	0.83%	4,557.57	0.97%	5,320.72	546,145.72
128 Jan-08	546,145.72	0.83%	4,551.21	0.97%	5,320.72	545,376.22
129 Feb-08	545,376.22	0.83%	4,544.80	0.98%	5,320.72	544,600.30
130 Mar-08	544,600.30	0.83%	4,538.34	0.98%	5,320.72	543,817.92
131 Apr-08	543,817.92	0.83%	4,531.82	0.98%	5,320.72	543,029.03
132 May-08	543,029.03	0.83%	4,525.24	0.98%	5,320.72	542,233.55
133 Jun-08	542,233.55	0.83%	4,518.61	0.98%	5,320.72	541,431.45
134 Jul-08	541,431.45	0.83%	4,511.93	0.98%	5,320.72	540,622.66
135 Aug-08	540,622.66	0.83%	4,505.19	0.98%	5,320.72	539,807.14
136 Sep-08	539,807.14	0.83%	4,498.39	0.99%	5,320.72	538,984.82
137 Oct-08	538,984.82	0.83%	4,491.54	0.99%	5,320.72	538,155.64
138 Nov-08	538,155.64	0.83%	4,484.63	0.99%	5,320.72	537,319.56
139 Dec-08	537,319.56	0.83%	4,477.66	0.99%	5,320.72	536,476.50
140 Jan-09	536,476.50	0.83%	4,470.64	0.99%	5,320.72	535,626.43
141 Feb-09	535,626.43	0.83%	4,463.55	0.99%	5,320.72	534,769.26
142 Mar-09	534,769.26	0.83%	4,456.41	0.99%	5,320.72	533,904.96
143 Apr-09	533,904.96	0.83%	4,449.21	1.00%	5,320.72	533,033.45

**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
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Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance	
144	May-09	533,033.45	0.83%	4,441.95	1.00%	5,320.72	532,154.68
145	Jun-09	532,154.68	0.83%	4,434.62	1.00%	5,320.72	531,268.59
146	Jul-09	531,268.59	0.83%	4,427.24	1.00%	5,320.72	530,375.11
147	Aug-09	530,375.11	0.83%	4,419.79	1.00%	5,320.72	529,474.19
148	Sep-09	529,474.19	0.83%	4,412.28	1.00%	5,320.72	528,565.76
149	Oct-09	528,565.76	0.83%	4,404.71	1.01%	5,320.72	527,649.76
150	Nov-09	527,649.76	0.83%	4,397.08	1.01%	5,320.72	526,726.13
151	Dec-09	526,726.13	0.83%	4,389.38	1.01%	5,320.72	525,794.80
152	Jan-10	525,794.80	0.83%	4,381.62	1.01%	5,320.72	524,855.70
153	Feb-10	524,855.70	0.83%	4,373.80	1.01%	5,320.72	523,908.79
154	Mar-10	523,908.79	0.83%	4,365.91	1.02%	5,320.72	522,953.98
155	Apr-10	522,953.98	0.83%	4,357.95	1.02%	5,320.72	521,991.21
156	May-10	521,991.21	0.83%	4,349.93	1.02%	5,320.72	521,020.42
157	Jun-10	521,020.42	0.83%	4,341.84	1.02%	5,320.72	520,041.55
158	Jul-10	520,041.55	0.83%	4,333.68	1.02%	5,320.72	519,054.51
159	Aug-10	519,054.51	0.83%	4,325.45	1.03%	5,320.72	518,059.25
160	Sep-10	518,059.25	0.83%	4,317.16	1.03%	5,320.72	517,055.70
161	Oct-10	517,055.70	0.83%	4,308.80	1.03%	5,320.72	516,043.78
162	Nov-10	516,043.78	0.83%	4,300.36	1.03%	5,320.72	515,023.43
163	Dec-10	515,023.43	0.83%	4,291.86	1.03%	5,320.72	513,994.57
164	Jan-11	513,994.57	0.83%	4,283.29	1.04%	5,320.72	512,957.15
165	Feb-11	512,957.15	0.83%	4,274.64	1.04%	5,320.72	511,911.08
166	Mar-11	511,911.08	0.83%	4,265.93	1.04%	5,320.72	510,856.29
167	Apr-11	510,856.29	0.83%	4,257.14	1.04%	5,320.72	509,792.71
168	May-11	509,792.71	0.83%	4,248.27	1.04%	5,320.72	508,720.26
169	Jun-11	508,720.26	0.83%	4,239.34	1.05%	5,320.72	507,638.88
170	Jul-11	507,638.88	0.83%	4,230.32	1.05%	5,320.72	506,548.49
171	Aug-11	506,548.49	0.83%	4,221.24	1.05%	5,320.72	505,449.02
172	Sep-11	505,449.02	0.83%	4,212.08	1.05%	5,320.72	504,340.38
173	Oct-11	504,340.38	0.83%	4,202.84	1.05%	5,320.72	503,222.50
174	Nov-11	503,222.50	0.83%	4,193.52	1.06%	5,320.72	502,095.30
175	Dec-11	502,095.30	0.83%	4,184.13	1.06%	5,320.72	500,958.72
176	Jan-12	500,958.72	0.83%	4,174.66	1.06%	5,320.72	499,812.66
177	Feb-12	499,812.66	0.83%	4,165.11	1.06%	5,320.72	498,657.05
178	Mar-12	498,657.05	0.83%	4,155.48	1.07%	5,320.72	497,491.81
179	Apr-12	497,491.81	0.83%	4,145.77	1.07%	5,320.72	496,316.86
180	May-12	496,316.86	0.83%	4,135.97	1.07%	5,320.72	495,132.12
181	Jun-12	495,132.12	0.83%	4,126.10	1.07%	5,320.72	493,937.50
182	Jul-12	493,937.50	0.83%	4,116.15	1.08%	5,320.72	492,732.93
183	Aug-12	492,732.93	0.83%	4,106.11	1.08%	5,320.72	491,518.33
184	Sep-12	491,518.33	0.83%	4,095.99	1.08%	5,320.72	490,293.60
185	Oct-12	490,293.60	0.83%	4,085.78	1.09%	5,320.72	489,058.66
186	Nov-12	489,058.66	0.83%	4,075.49	1.09%	5,320.72	487,813.44
187	Dec-12	487,813.44	0.83%	4,065.11	1.09%	5,320.72	486,557.83
188	Jan-13	486,557.83	0.83%	4,054.65	1.09%	5,320.72	485,291.77

**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
Beginning Balance \$446,000
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Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance	
189	Feb-13	485,291.77	0.83%	4,044.10	1.10%	5,320.72	484,015.15
190	Mar-13	484,015.15	0.83%	4,033.46	1.10%	5,320.72	482,727.89
191	Apr-13	482,727.89	0.83%	4,022.73	1.10%	5,320.72	481,429.91
192	May-13	481,429.91	0.83%	4,011.92	1.11%	5,320.72	480,121.11
193	Jun-13	480,121.11	0.83%	4,001.01	1.11%	5,320.72	478,801.41
194	Jul-13	478,801.41	0.83%	3,990.01	1.11%	5,320.72	477,470.70
195	Aug-13	477,470.70	0.83%	3,978.92	1.11%	5,320.72	476,128.91
196	Sep-13	476,128.91	0.83%	3,967.74	1.12%	5,320.72	474,775.94
197	Oct-13	474,775.94	0.83%	3,956.47	1.12%	5,320.72	473,411.69
198	Nov-13	473,411.69	0.83%	3,945.10	1.12%	5,320.72	472,036.07
199	Dec-13	472,036.07	0.83%	3,933.63	1.13%	5,320.72	470,648.99
200	Jan-14	470,648.99	0.83%	3,922.07	1.13%	5,320.72	469,250.35
201	Feb-14	469,250.35	0.83%	3,910.42	1.13%	5,320.72	467,840.05
202	Mar-14	467,840.05	0.83%	3,898.67	1.14%	5,320.72	466,418.00
203	Apr-14	466,418.00	0.83%	3,886.82	1.14%	5,320.72	464,984.11
204	May-14	464,984.11	0.83%	3,874.87	1.14%	5,320.72	463,538.26
205	Jun-14	463,538.26	0.83%	3,862.82	1.15%	5,320.72	462,080.36
206	Jul-14	462,080.36	0.83%	3,850.67	1.15%	5,320.72	460,610.32
207	Aug-14	460,610.32	0.83%	3,838.42	1.16%	5,320.72	459,128.02
208	Sep-14	459,128.02	0.83%	3,826.07	1.16%	5,320.72	457,633.37
209	Oct-14	457,633.37	0.83%	3,813.61	1.16%	5,320.72	456,126.27
210	Nov-14	456,126.27	0.83%	3,801.05	1.17%	5,320.72	454,606.61
211	Dec-14	454,606.61	0.83%	3,788.39	1.17%	5,320.72	453,074.28
212	Jan-15	453,074.28	0.83%	3,775.62	1.17%	5,320.72	451,529.18
213	Feb-15	451,529.18	0.83%	3,762.74	1.18%	5,320.72	449,971.21
214	Mar-15	449,971.21	0.83%	3,749.76	1.18%	5,320.72	448,400.26
215	Apr-15	448,400.26	0.83%	3,736.67	1.19%	5,320.72	446,816.21
216	May-15	446,816.21	0.83%	3,723.47	1.19%	5,320.72	445,218.96
217	Jun-15	445,218.96	0.83%	3,710.16	1.20%	5,320.72	443,608.41
218	Jul-15	443,608.41	0.83%	3,696.74	1.20%	5,320.72	441,984.43
219	Aug-15	441,984.43	0.83%	3,683.20	1.20%	5,320.72	440,346.92
220	Sep-15	440,346.92	0.83%	3,669.56	1.21%	5,320.72	438,695.76
221	Oct-15	438,695.76	0.83%	3,655.80	1.21%	5,320.72	437,030.84
222	Nov-15	437,030.84	0.83%	3,641.92	1.22%	5,320.72	435,352.05
223	Dec-15	435,352.05	0.83%	3,627.93	1.22%	5,320.72	433,659.27
224	Jan-16	433,659.27	0.83%	3,613.83	1.23%	5,320.72	431,952.38
225	Feb-16	431,952.38	0.83%	3,599.60	1.23%	5,320.72	430,231.27
226	Mar-16	430,231.27	0.83%	3,585.26	1.24%	5,320.72	428,495.82
227	Apr-16	428,495.82	0.83%	3,570.80	1.24%	5,320.72	426,745.90
228	May-16	426,745.90	0.83%	3,556.22	1.25%	5,320.72	424,981.40
229	Jun-16	424,981.40	0.83%	3,541.51	1.25%	5,320.72	423,202.20
230	Jul-16	423,202.20	0.83%	3,526.68	1.26%	5,320.72	421,408.17
231	Aug-16	421,408.17	0.83%	3,511.73	1.26%	5,320.72	419,599.19
232	Sep-16	419,599.19	0.83%	3,496.66	1.27%	5,320.72	417,775.13
233	Oct-16	417,775.13	0.83%	3,481.46	1.27%	5,320.72	415,935.88

**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
Beginning Balance \$446,000
Interest Rate 10%

Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance	
234	Nov-16	415,935.88	0.83%	3,466.13	1.28%	5,320.72	414,081.29
235	Dec-16	414,081.29	0.83%	3,450.68	1.28%	5,320.72	412,211.26
236	Jan-17	412,211.26	0.83%	3,435.09	1.29%	5,320.72	410,325.63
237	Feb-17	410,325.63	0.83%	3,419.38	1.30%	5,320.72	408,424.30
238	Mar-17	408,424.30	0.83%	3,403.54	1.30%	5,320.72	406,507.12
239	Apr-17	406,507.12	0.83%	3,387.56	1.31%	5,320.72	404,573.96
240	May-17	404,573.96	0.83%	3,371.45	1.32%	5,320.72	402,624.70
241	Jun-17	402,624.70	0.83%	3,355.21	1.32%	5,320.72	400,659.19
242	Jul-17	400,659.19	0.83%	3,338.83	1.33%	5,320.72	398,677.30
243	Aug-17	398,677.30	0.83%	3,322.31	1.33%	5,320.72	396,678.90
244	Sep-17	396,678.90	0.83%	3,305.66	1.34%	5,320.72	394,663.84
245	Oct-17	394,663.84	0.83%	3,288.87	1.35%	5,320.72	392,631.99
246	Nov-17	392,631.99	0.83%	3,271.93	1.36%	5,320.72	390,583.21
247	Dec-17	390,583.21	0.83%	3,254.86	1.36%	5,320.72	388,517.35
248	Jan-18	388,517.35	0.83%	3,237.64	1.37%	5,320.72	386,434.28
249	Feb-18	386,434.28	0.83%	3,220.29	1.38%	5,320.72	384,333.85
250	Mar-18	384,333.85	0.83%	3,202.78	1.38%	5,320.72	382,215.92
251	Apr-18	382,215.92	0.83%	3,185.13	1.39%	5,320.72	380,080.34
252	May-18	380,080.34	0.83%	3,167.34	1.40%	5,320.72	377,926.96
253	Jun-18	377,926.96	0.83%	3,149.39	1.41%	5,320.72	375,755.63
254	Jul-18	375,755.63	0.83%	3,131.30	1.42%	5,320.72	373,566.22
255	Aug-18	373,566.22	0.83%	3,113.05	1.42%	5,320.72	371,358.55
256	Sep-18	371,358.55	0.83%	3,094.65	1.43%	5,320.72	369,132.49
257	Oct-18	369,132.49	0.83%	3,076.10	1.44%	5,320.72	366,887.88
258	Nov-18	366,887.88	0.83%	3,057.40	1.45%	5,320.72	364,624.57
259	Dec-18	364,624.57	0.83%	3,038.54	1.46%	5,320.72	362,342.39
260	Jan-19	362,342.39	0.83%	3,019.52	1.47%	5,320.72	360,041.19
261	Feb-19	360,041.19	0.83%	3,000.34	1.48%	5,320.72	357,720.82
262	Mar-19	357,720.82	0.83%	2,981.01	1.49%	5,320.72	355,381.11
263	Apr-19	355,381.11	0.83%	2,961.51	1.50%	5,320.72	353,021.91
264	May-19	353,021.91	0.83%	2,941.85	1.51%	5,320.72	350,643.04
265	Jun-19	350,643.04	0.83%	2,922.03	1.52%	5,320.72	348,244.35
266	Jul-19	348,244.35	0.83%	2,902.04	1.53%	5,320.72	345,825.67
267	Aug-19	345,825.67	0.83%	2,881.88	1.54%	5,320.72	343,386.84
268	Sep-19	343,386.84	0.83%	2,861.56	1.55%	5,320.72	340,927.68
269	Oct-19	340,927.68	0.83%	2,841.06	1.56%	5,320.72	338,448.03
270	Nov-19	338,448.03	0.83%	2,820.40	1.57%	5,320.72	335,947.72
271	Dec-19	335,947.72	0.83%	2,799.56	1.58%	5,320.72	333,426.56
272	Jan-20	333,426.56	0.83%	2,778.55	1.60%	5,320.72	330,884.40
273	Feb-20	330,884.40	0.83%	2,757.37	1.61%	5,320.72	328,321.06
274	Mar-20	328,321.06	0.83%	2,736.01	1.62%	5,320.72	325,736.35
275	Apr-20	325,736.35	0.83%	2,714.47	1.63%	5,320.72	323,130.11
276	May-20	323,130.11	0.83%	2,692.75	1.65%	5,320.72	320,502.14
277	Jun-20	320,502.14	0.83%	2,670.85	1.66%	5,320.72	317,852.28
278	Jul-20	317,852.28	0.83%	2,648.77	1.67%	5,320.72	315,180.33

**SEA AIR APARTMENTS
AMORTIZATION SCHEDULE
30 YEAR FORGIVABLE NOTE
HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
Beginning Balance \$446,000
Interest Rate 10%

Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance
279 Aug-20	315,180.33	0.83%	2,626.50	1.69%	5,320.72	312,486.12
280 Sep-20	312,486.12	0.83%	2,604.05	1.70%	5,320.72	309,769.46
281 Oct-20	309,769.46	0.83%	2,581.41	1.72%	5,320.72	307,030.15
282 Nov-20	307,030.15	0.83%	2,558.58	1.73%	5,320.72	304,268.02
283 Dec-20	304,268.02	0.83%	2,535.57	1.75%	5,320.72	301,482.88
284 Jan-21	301,482.88	0.83%	2,512.36	1.76%	5,320.72	298,674.52
285 Feb-21	298,674.52	0.83%	2,488.95	1.78%	5,320.72	295,842.76
286 Mar-21	295,842.76	0.83%	2,465.36	1.80%	5,320.72	292,987.40
287 Apr-21	292,987.40	0.83%	2,441.56	1.82%	5,320.72	290,108.24
288 May-21	290,108.24	0.83%	2,417.57	1.83%	5,320.72	287,205.10
289 Jun-21	287,205.10	0.83%	2,393.38	1.85%	5,320.72	284,277.76
290 Jul-21	284,277.76	0.83%	2,368.98	1.87%	5,320.72	281,326.03
291 Aug-21	281,326.03	0.83%	2,344.38	1.89%	5,320.72	278,349.69
292 Sep-21	278,349.69	0.83%	2,319.58	1.91%	5,320.72	275,348.56
293 Oct-21	275,348.56	0.83%	2,294.57	1.93%	5,320.72	272,322.42
294 Nov-21	272,322.42	0.83%	2,269.35	1.95%	5,320.72	269,271.05
295 Dec-21	269,271.05	0.83%	2,243.93	1.98%	5,320.72	266,194.26
296 Jan-22	266,194.26	0.83%	2,218.29	2.00%	5,320.72	263,091.84
297 Feb-22	263,091.84	0.83%	2,192.43	2.02%	5,320.72	259,963.55
298 Mar-22	259,963.55	0.83%	2,166.36	2.05%	5,320.72	256,809.20
299 Apr-22	256,809.20	0.83%	2,140.08	2.07%	5,320.72	253,628.56
300 May-22	253,628.56	0.83%	2,113.57	2.10%	5,320.72	250,421.42
301 Jun-22	250,421.42	0.83%	2,086.85	2.12%	5,320.72	247,187.55
302 Jul-22	247,187.55	0.83%	2,059.90	2.15%	5,320.72	243,926.73
303 Aug-22	243,926.73	0.83%	2,032.72	2.18%	5,320.72	240,638.74
304 Sep-22	240,638.74	0.83%	2,005.32	2.21%	5,320.72	237,323.34
305 Oct-22	237,323.34	0.83%	1,977.69	2.24%	5,320.72	233,980.32
306 Nov-22	233,980.32	0.83%	1,949.84	2.27%	5,320.72	230,609.45
307 Dec-22	230,609.45	0.83%	1,921.75	2.31%	5,320.72	227,210.48
308 Jan-23	227,210.48	0.83%	1,893.42	2.34%	5,320.72	223,783.18
309 Feb-23	223,783.18	0.83%	1,864.86	2.38%	5,320.72	220,327.33
310 Mar-23	220,327.33	0.83%	1,836.06	2.41%	5,320.72	216,842.67
311 Apr-23	216,842.67	0.83%	1,807.02	2.45%	5,320.72	213,328.98
312 May-23	213,328.98	0.83%	1,777.74	2.49%	5,320.72	209,786.01
313 Jun-23	209,786.01	0.83%	1,748.22	2.54%	5,320.72	206,213.51
314 Jul-23	206,213.51	0.83%	1,718.45	2.58%	5,320.72	202,611.24
315 Aug-23	202,611.24	0.83%	1,688.43	2.63%	5,320.72	198,978.95
316 Sep-23	198,978.95	0.83%	1,658.16	2.67%	5,320.72	195,316.39
317 Oct-23	195,316.39	0.83%	1,627.64	2.72%	5,320.72	191,623.31
318 Nov-23	191,623.31	0.83%	1,596.86	2.78%	5,320.72	187,899.46
319 Dec-23	187,899.46	0.83%	1,565.83	2.83%	5,320.72	184,144.57
320 Jan-24	184,144.57	0.83%	1,534.54	2.89%	5,320.72	180,358.40
321 Feb-24	180,358.40	0.83%	1,502.99	2.95%	5,320.72	176,540.67
322 Mar-24	176,540.67	0.83%	1,471.17	3.01%	5,320.72	172,691.13
323 Apr-24	172,691.13	0.83%	1,439.09	3.08%	5,320.72	168,809.50

**SEA AIR APARTMENTS
 AMORTIZATION SCHEDULE
 30 YEAR FORGIVABLE NOTE
 HUNTINGTON BEACH, CALIFORNIA**

Term: 360 Months
 Beginning Balance \$446,000
 Interest Rate 10%

Month	Beginning Balance	Interest Rate	Interest Charged	Mortgage Constant	Debt Service Payment	Ending Balance	
324	May-24	168,809.50	0.83%	1,406.75	3.15%	5,320.72	164,895.53
325	Jun-24	164,895.53	0.83%	1,374.13	3.23%	5,320.72	160,948.95
326	Jul-24	160,948.95	0.83%	1,341.24	3.31%	5,320.72	156,969.47
327	Aug-24	156,969.47	0.83%	1,308.08	3.39%	5,320.72	152,956.84
328	Sep-24	152,956.84	0.83%	1,274.64	3.48%	5,320.72	148,910.76
329	Oct-24	148,910.76	0.83%	1,240.92	3.57%	5,320.72	144,830.97
330	Nov-24	144,830.97	0.83%	1,206.92	3.67%	5,320.72	140,717.18
331	Dec-24	140,717.18	0.83%	1,172.64	3.78%	5,320.72	136,569.11
332	Jan-25	136,569.11	0.83%	1,138.08	3.90%	5,320.72	132,386.47
333	Feb-25	132,386.47	0.83%	1,103.22	4.02%	5,320.72	128,168.98
334	Mar-25	128,168.98	0.83%	1,068.07	4.15%	5,320.72	123,916.34
335	Apr-25	123,916.34	0.83%	1,032.64	4.29%	5,320.72	119,628.26
336	May-25	119,628.26	0.83%	996.90	4.45%	5,320.72	115,304.44
337	Jun-25	115,304.44	0.83%	960.87	4.61%	5,320.72	110,944.60
338	Jul-25	110,944.60	0.83%	924.54	4.80%	5,320.72	106,548.42
339	Aug-25	106,548.42	0.83%	887.90	4.99%	5,320.72	102,115.61
340	Sep-25	102,115.61	0.83%	850.96	5.21%	5,320.72	97,645.86
341	Oct-25	97,645.86	0.83%	813.72	5.45%	5,320.72	93,138.86
342	Nov-25	93,138.86	0.83%	776.16	5.71%	5,320.72	88,594.30
343	Dec-25	88,594.30	0.83%	738.29	6.01%	5,320.72	84,011.87
344	Jan-26	84,011.87	0.83%	700.10	6.33%	5,320.72	79,391.26
345	Feb-26	79,391.26	0.83%	661.59	6.70%	5,320.72	74,732.14
346	Mar-26	74,732.14	0.83%	622.77	7.12%	5,320.72	70,034.19
347	Apr-26	70,034.19	0.83%	583.62	7.60%	5,320.72	65,297.09
348	May-26	65,297.09	0.83%	544.14	8.15%	5,320.72	60,520.52
349	Jun-26	60,520.52	0.83%	504.34	8.79%	5,320.72	55,704.14
350	Jul-26	55,704.14	0.83%	464.20	9.55%	5,320.72	50,847.63
351	Aug-26	50,847.63	0.83%	423.73	10.46%	5,320.72	45,950.64
352	Sep-26	45,950.64	0.83%	382.92	11.58%	5,320.72	41,012.85
353	Oct-26	41,012.85	0.83%	341.77	12.97%	5,320.72	36,033.91
354	Nov-26	36,033.91	0.83%	300.28	14.77%	5,320.72	31,013.48
355	Dec-26	31,013.48	0.83%	258.45	17.16%	5,320.72	25,951.21
356	Jan-27	25,951.21	0.83%	216.26	20.50%	5,320.72	20,846.75
357	Feb-27	20,846.75	0.83%	173.72	25.52%	5,320.72	15,699.76
358	Mar-27	15,699.76	0.83%	130.83	33.89%	5,320.72	10,509.87
359	Apr-27	10,509.87	0.83%	87.58	50.63%	5,320.72	5,276.74
360	May-27	5,276.74	0.83%	43.97	100.83%	5,320.72	(0.00)

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ATTACHMENT #4

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RECORDING REQUESTED BY:

AND WHEN RECORDED MAIL TO:
Economic Development Dept.
Huntington Beach Redevelopment Agency
2000 Main Street
Huntington Beach, California 92648

SPACE ABOVE THIS LINE FOR RECORDER'S USE

ASSUMPTION AGREEMENT

The undersigned, Transferee and Transferor of that certain real property in Orange County, Huntington Beach, more particularly described on Exhibit "A" attached hereto and incorporated herein by reference ("Property"), which Property is encumbered by a Deed of Trust, dated November 22, 1996, and recorded on July 2, 1997, as Instrument No. 19970315243, in the Official Records of said County ("Deed of Trust") given to secure a promissory note dated November 22, 1996 ("Note") executed by Associates Nine, a general partnership ("Holder"), in the amount of Four Hundred and Forty-Six Thousand Dollars (\$446,000), do hereby request the Redevelopment Agency of Huntington Beach to consent to the transfer of said Property to the Transferee, which transfer occurred on _____, and to accept the Transferee as new obligors under the Note, and in consideration of the premises and the approval by the Redevelopment Agency of Huntington Beach of the transfer to the Transferee and the assumption by the transferee of said Deed of Trust, the Transferee agrees with the Affordable Housing Agreement dated as of November 22, 1996 between Transferee and Holder and that certain Declaration of Covenants, Conditions and Restrictions recorded against the Property on July 2, 1997 as Instrument Number 19970315244 of the Official Records of Orange County, State of California ("Agency Covenants") as follows:

1. To assume and promise to pay the Note and all extensions and renewals thereof;
2. To pay all taxes and insurance premiums and any other sums that may become due and payable under the provisions of the Deed of Trust;
3. To assume and agree to comply with each and all of the terms of the Note and Deed of Trust;
4. That the Transferee may be considered as obligors under the Note and Deed of Trust, and each of them, the same as if said instruments had been executed by the Transferee instead of the Maker thereof;

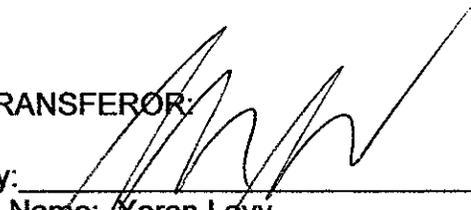
5. That this assumption shall constitute a release of liability of the original makers and Transferor, and that the Redevelopment Agency of Huntington Beach may pursue all remedies in the Redevelopment Agency of Huntington Beach power against the Transferee independently of the Transferor;

6. The transferee acknowledges and agrees to the assignment of the Developer's obligation under the Affordable Housing Agreement, and the transferee acknowledges and agrees to comply with all of the provisions of the affordable housing agreement and each of the attachments thereto and the Agency Covenants.

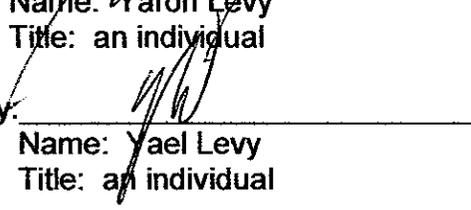
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Dated: 5-23-08

TRANSFEROR:

By: 

Name: Yaron Levy
Title: an individual

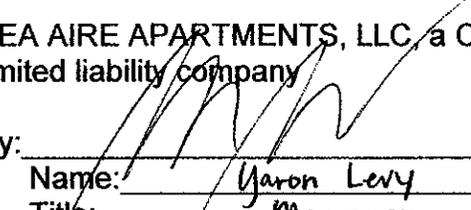
By: 

Name: Yael Levy
Title: an individual

Dated: 5-23-08

TRANSFEEE:

SEA AIRE APARTMENTS, LLC, a California limited liability company

By: 

Name: Yaron Levy
Title: Manager

By: _____

Name: _____
Title: _____

Dated: _____

HOLDER:

REDEVELOPMENT AGENCY OF THE
CITY OF HUNTINGTON BEACH, a public
body corporate and politic

By: _____
Chairman

By: _____
Agency Clerk

APPROVED AS TO FORM:

By: Jennifer McGrath
Agency General Counsel
5-27-08 (in) 6-3-08 M 5/27/08

INITIATED AND APPROVED:

By: [Signature]
Deputy Executive Director

REVIEWED AND APPROVED:

By: [Signature]
Executive Director

ACKNOWLEDGMENT

State of California
County of Los Angeles

On May 23rd, 2008 before me, Shirley A. Gonsalves, Notary Public
(here insert name and title of the officer)
personally appeared Yaron Levy and Yael Levy

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

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

WITNESS my hand and official seal.

Signature 



(Seal)

E9 . 73

ATTACHMENT #5

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RECORDING REQUESTED BY:

AND WHEN RECORDED MAIL TO:

Union Bank Of California, N.A.
Attn: Asset Management
P.O. Box 30115
Los Angeles, California 90030-0115

SPACE ABOVE THIS LINE FOR RECORDER'S USE

Borrower: Sea Aire Apartments, LLC
Property: 725-733 Utica Avenue, Huntington Beach

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENTS.

THIS SUBORDINATION AGREEMENT ("**Agreement**") is entered into this _____ day of _____, 2008, by and among the REDEVELOPMENT AGENCY OF THE CITY OF HUNTINGTON BEACH, a public agency, corporate and politic (the "**Agency**"); SEA AIRE APARTMENTS, LLC, a California Limited Liability Company ("**Borrower**"); and Union Bank of California, N.A. ("**Lender**").

RECITALS:

A. Borrower owns fee title to the real property described on Attachment No. "1" (the "**Property**") attached hereto and incorporated herein by reference. The Agency and the predecessor owner of the Property, Associates Nine, a California general partnership ("**Original Developer**") entered into an Affordable Housing Agreement dated as of November 22, 1996, ("**Affordable Housing Agreement**"). Pursuant to the terms of the Affordable Housing Agreement, Original Developer executed a promissory note dated November 22, 1996 in favor of the Agency in the amount of FOUR HUNDRED FORTY SIX THOUSAND DOLLARS (\$446,000.00) ("**Agency Loan**") to assist Original Developer in the rehabilitation of the Property as an affordable housing complex. The Agency Loan is secured by a Deed of Trust With Assignment of Rents encumbering the Property (the "**Agency Deed of Trust**"), which Agency Deed of Trust was recorded on July 2, 1997 as Instrument Number 19970315243 of the Official Records of Orange County, State of California ("**Official**").

Records). All capitalized terms not defined herein shall have the meanings ascribed to them in the Affordable Housing Agreement.

B. Agency and Original Developer also entered into that certain Declaration of Covenants, Conditions, and Restrictions recorded against the Property ("**Agency Covenants**") recorded on July 2, 1997 as Instrument Number 19970315244 of the Official Records, which contains certain use restrictions affecting the Property.

C. Borrower acquired title to the Property from Original Developer on or about December 22, 1997. Title to the Property as acquired by Borrower is subject to the Agency Covenants. Borrower has assumed the obligations of Original Developer under the Agency Loan and the Agency Deed of Trust pursuant to a certain Assumption Agreement dated as of _____.

D. Borrower has obtained or is proposing to obtain a loan from Lender in an amount not to exceed the original principal amount of Two Million Eight Hundred Fifty Thousand Dollars (\$2,850,000) (the "**Lender Loan**"). To repay the Lender Loan, Borrower has executed or proposes to execute a deed of trust encumbering the Property to secure a promissory note in the sum of the Lender Loan, payable upon the terms and conditions described in such note (respectively, the "**Lender Deed of Trust**" and "**Lender Note**").

E. Lender is willing to make the Lender Loan provided the Lender Deed of Trust is a lien or charge upon the Property prior and superior to the lien or charge of the Agency Deed of Trust, and provided that the Agency will specifically and unconditionally subordinate the lien or charge of the Agency Deed of Trust to the lien or charge of the Lender Deed of Trust.

F. It is to the mutual benefit of the Lender, Agency, and Borrower that the Lender make the Lender Loan to Borrower; and the Agency has agreed that the Lender Deed of Trust shall, when recorded, constitute a lien or charge upon the Property which is unconditionally prior and superior to the lien or charge of the Agency Deed of Trust, subject to the specific terms and provisions of this Subordination Agreement.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the Agency, Lender, and Borrower, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Lender to make the Lender Loan, it is hereby declared, understood, and agreed as follows:

1. Subordination by Agency

1.1 Subordination of Agency Deed of Trust to Lender Deed of Trust. The Lender Deed of Trust (and any renewals or extensions of, or advances, including interest, thereunder) shall unconditionally be and remain at all times a lien

or charge on the Property, prior and superior to (i) the lien or charge of the Agency Deed of Trust , (ii) all present and future indebtedness and obligations secured thereby , and (iii) all rights and privileges of Agency thereunder, provided that the original principal balance of the Lender Loan (not including costs, expenses and any other such ancillary amounts that may be payable with respect to the Lender Loan) does not exceed Two Million Eight Hundred Fifty Thousand Dollars (\$2,850,000).

1.2 Priority of Agency Covenants. The Agency Covenants shall unconditionally be and remain at all times prior and superior to the Lender Deed of Trust, the Lender Note and Lender's other related loan documents.

1.3 Covenants and Acknowledgments of Agency. The Agency declares, agrees and acknowledges that:

(a) The Agency consents to Borrower's obtaining the Lender Loan.

(b) To Agency's actual knowledge, there is no breach, event of default or default existing under the Agency Deed of Trust, or any circumstances, event, omission or failure of condition which would constitute such a breach, default or event of default after notice or lapse of time, or both.

(c) By its Notice of Completion For Rehabilitation Project recorded in the Official Records on June 12, 1997, as Instrument Number 19970270748, the Agency certified as to Original Developer's completion of the rehabilitation project.

2. Reliance by Lender and Agency. The Lender would not make the Lender Loan and the Agency would not have agreed to subordinate the Agency Deed of Trust without this Subordination Agreement and each of the undersigned understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for such reliance upon this waiver, relinquishment and subordination.

3. Notice to Agency. In the event of a breach or default by Borrower under the terms of the Lender Note, Lender Deed of Trust, or other Lender Loan documents, Lender shall provide the Agency with written notice of such breach or default concurrently with providing such notice to Borrower. Upon receipt of such notice of breach or default, the parties hereto agree that Agency shall have each of the following rights so long as either the Agency Covenants or the Agency Deed of Trust encumber any portion of the Property or interest therein:

(a) To cure the noticed default at any time Borrower has the right to cure the noticed default, whether under the Lender Note, the Lender Deed of Trust or Lender's other related loan documents, or pursuant to applicable law.

(b) To negotiate with the Lender regarding the noticed default at any time prior to the foreclosure of the Lender Deed of Trust or other lien.

The Lender agrees that the exercise of any of the rights set forth in this Section by Agency shall not give rise to any right on the part of the Lender to exercise any right to accelerate the amounts due under the Lender Loan.

3.1 Disbursements. Lender, in making disbursements of the proceeds of the Lender Loan, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom disbursements thereof are made and any application or use of such proceeds for purposes other than those provided in the documents evidencing and securing the Lender Loan shall not defeat the subordination herein made in whole or in part.

4. Miscellaneous

4.1 Entire Agreement. This Subordination Agreement shall be the whole and only agreement with regard to the matters set forth herein and shall supersede and cancel, but only insofar as would affect the priority between the Lender Deed of Trust on the one hand, and the Agency Deed of Trust on the other hand, any prior agreement as to such subordination including, but not limited to, those provisions, if any contained in the Agency Deed of Trust, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages, upon the Property.

4.2 Successors and Assigns. This Subordination Agreement shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors and assigns of the parties hereto.

4.3 California Law. This Subordination Agreement shall be construed according to the laws of the State of California.

4.4 Severability. If any term, provision, condition or covenant of this Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

4.5 Notice. Any notice, demand, request, consent, approval or communication that any party desires or is required to give to another party or any other person must be in writing and may be given by (i) personal delivery, (ii) by courier service that provides a receipt showing date and time of delivery, or (iii) by registered or certified mail, return receipt requested, postage prepaid. Notices shall be directed at the address of such party hereinafter set forth, or such other address and to such other persons as the parties may hereafter designate. Any such notice shall be deemed given upon receipt if by personal delivery or courier service, or if by mail the earlier or (x) actual receipt or (y) forty-eight (48) hours after deposit in the United States mail.

If to Agency: Redevelopment Agency of the City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648
Attention: Executive Director

If to Borrower: Sea Aire Apartments, LLC
1180 S. Beverly Drive, Suite 320
Los Angeles, CA 90035
Attention: Yaron Levy and Yael Levy

If to Lender: Union Bank of California
18300 Von Karman Avenue, Suite 200
Irvine, CA 92612

4.6 Attorney's Fees. In the event that any action, suit or other proceeding is brought to enforce the obligations of under this Agreement, each party shall bear its own costs and expenses of suit, including attorneys' fees, expert witness fees and all costs incurred in each and every such action, suit or other proceeding, including any and all appeals or petitions therefrom.

4.7 Counterparts. This Subordination Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall constitute one and the same document.

[No Further Text This Page]

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

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENTS.

****"BORROWER"**
SEA AIRE APARTMENTS, LLC,
A California Limited Liability Company

REDEVELOPMENT AGENCY OF THE
CITY OF HUNTINGTON BEACH, a
public body corporate and politic

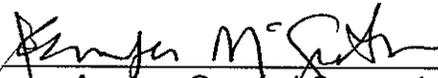
By: _____
Chairman

By: _____
Agency Clerk

****"LENDER"**

APPROVED AS TO FORM:

By: _____

By: 
Agency General Counsel
5-27-08 (M) 6-3-08 M5/23/08

Print Name: _____

Its: _____

Date: _____

INITIATED AND APPROVED:

By: 
Deputy Executive Director

*Signed in counterpart

REVIEWED AND APPROVED:

By: 
Executive Director