RESOLUTION AUTHORIZING THE PRESIDENT, SECRETARY, AND TREASURER OF LOS ANGELES LOMOD SOUTH, INC. TO ENTER INTO THE TOPANGA CANYON HOUSING PARTNERS, LP LIMITED PARTNERSHIP AS ITS ADMINISTRATIVE GENERAL PARTNER, WITH PHK SUP8, LLC, AS ITS MANAGING GENERAL PARTNER, FOR THE PURPOSE OF OWNING REAL PROPERTY LOCATED AT 7625 AND 7631 TOPANGA CANYON, CANOGA PARK, CA; AUTHORIZING EXTENSION OF THE INTERIM GROUND LEASE, PROVISION OF A BRIDGE LOAN TO THE PARTNERSHIP IN THE AMOUNT OF $2,876,549, AND BRIDGE LOAN BORROWINGS BY THE PARTNERSHIP FROM THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES IN AN AMOUNT NOT TO EXCEED $2,000,000; AND AUTHORIZING RELATED ACTIONS AND THE EXECUTION OF RELATED DOCUMENTS

Purpose:
Provide authority post factum to the President, Secretary and Treasurer of Los Angeles LOMOD South, Inc., a California nonprofit public benefit corporation (“LOMOD South”) to enter into the Topanga Canyon Housing Partners, LP, a Limited Partnership (the “Limited Partnership”) as the Administrative General Partner (“AGP”), authorizing and approving the Canoga Park Place Homekey Project, and as AGP entering into related operational and financing documents including but not limited to an interim ground lease, grant agreements with the Housing Authority of the City of Los Angeles (“HACLA” or the “Authority”) and the City of Los Angeles, contracts for services and prospective authority to negotiate and enter into debt financing, option agreements, long-term ground leases and related documents, and currently authorizing a bridge loan from LOMOD South to the Limited Partnership, and various actions in connection therewith.

Adopting the resolution (Attachment 1) will acknowledge that on March 5, 2021, the President accepted control over the ownership of Canoga Park Place through a limited partnership in which LOMOD South provides property and asset management services while improving the overall financial position of the Housing Authority of the City of Los Angeles (“HACLA” or “Authority”) and helping meet its mission to provide deeply affordable housing to residents of Los Angeles.

Issues:

Background
LOMOD South is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law under the direct control of the Authority. LOMOD South currently owns 76 properties in the Asset Management portfolio, which includes all the properties not required to have single-purpose entity ownership as a financing requirement.

L. A. Family Housing Corporation (“LAFH”) is a California non-profit public benefit corporation, part of whose mission is to acquire and develop property for affordable housing. LAFH created PHK SUP8 LLC to serve as the Managing General Partner (“MGP”) of the Limited Partnership, whose role includes being engaged in the financing process, overseeing rehabilitation, and coordinating services for residents.

La Cienega LOMOD, Inc. (“La Cienega”) serves as the Limited Partner (LP) of
Topanga Canyon Housing Partners, LP. In this capacity, La Cienega has no current or anticipated obligations to the Limited Partnership and is largely serving as a placeholder to maintain flexibility for potential financing options.

The real property located at 7625 and 7631 Topanga Canyon, Canoga Park, CA 91304 (“Canoga Park Place” or the “Property”) containing a 52-unit hotel, formerly known as the Super 8 by Wyndham Canoga Park (APN 2012-022-024, the “Hotel Property”) and a restaurant, with a current commercial tenant known as 2 Die for Sushi (APN 2012-022-020, the “Restaurant Property”) was purchased by the Authority as part of Project Homekey on November 18, 2020 and leased to the Limited Partnership to operate on May 17, 2021.

“Project Homekey” is the program authorized pursuant to AB 83 (2019-2020) by the State of California, and is intended to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness and who are impacted by the COVID-19 pandemic. Project Homekey authorized the California Department of Housing and Community Development (“HCD”) to provide up to $600 million in grant funding to local public entities, including housing authorities, to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing. HACLA and LAFH applied for and received a Project Homekey funding award for Canoga Park Place of $8,563,350, including $8,257,350 in acquisition funding and $306,000 in operating subsidy, with the understanding that HACLA, through one of its instrumentalities, would partner with LAFH to operate and develop the Property.

As referenced in the HACLA Board Report on October 29, 2020 that accompanied Resolution No. 9653 approving HACLA’s acquisition of Canoga Park Place, given the complexity of converting this 52-room motel to permanent housing and the need for a strong service partner with access to funding for deep and broad housing stabilization, mental health, and case management services, staff believed that a partnership with LAFH was critical to the success and feasibility of HACLA’s Project Homekey application for Canoga Park Place.

PHK SUP8, LLC, serves as the MGP, and LA LOMOD South, Inc. serves as the AGP, of Topanga Canyon Housing Partners, LP. The Limited Partnership Agreement is provided for reference as Attachment 2 and provides for the partners to exit the partnership with each other’s consent through sale or transfer of rights and the opportunity to buy out each other’s position in the partnership.

As AGP, LOMOD South holds a 64.99% majority ownership and development interest while PHK SUP8 LLC holds a 35% development and ownership interest. La Cienega LOMOD holds .01% ownership and development interest. As the majority interest owner, LOMOD South is expected to provide 100% of the guarantees required for any financing of the project, oversees accounts and audits, and reports to HACLA to ensure compliance with the Project Homekey regulatory agreement and financing.

HACLA entered into a two-year interim ground lease with Topanga Canyon Housing Partners, LP. on May 17, 2021 (“Interim Lease Agreement”). Pursuant to the Interim Lease Agreement, Canoga Park Place is divided into three parcels. Two of the parcels make up the Hotel Property, which is subject to the Homekey requirements and the third parcel, known as the Restaurant Property, is
considered a future development site for affordable housing but has no current use restrictions. Upon execution of the Interim Lease Agreement, the Limited Partnership operated the Hotel Property, which was a former Roomkey Site, as interim housing, while formulating a plan to convert, rehabilitate, develop, finance and operate the Hotel Property as permanent affordable and supportive housing in accordance with Project Homekey requirements (the “Homekey Hotel Plan”). Additionally, the Limited Partnership was provided the right under the Interim Lease Agreement to operate and manage the Restaurant Property as a restaurant, collect rents, and prepare a future plan for the long-term development of this parcel (the “Restaurant Plan”).

The Homekey Hotel Plan
The Hotel Property operated as interim housing from November 2020 through September 2021, at which time the units were vacated in preparation for the rehabilitation of the Hotel Property. All participants of the interim housing were relocated to other sites operated by LAFH and HACLA received approval from HCD to utilize another property as interim Homekey units until the permanent housing was constructed.

The design and construction work necessary to convert the former hotel into permanent housing (the “Project”) will change the original approved use of the property from a transient hotel use to a non-transient hotel use. The Project includes modifications to the existing lobby area at building entry, including the installation of mailboxes; enlargement and improvement of interior public area spaces; the addition of kitchenettes with vent hoods, sinks and refrigerators, accessibility improvements and associated plumbing and electrical work as well as new common area laundry rooms, open and community space as well as significant structural, electrical and plumbing upgrades. After an extensive design, permitting and procurement period, onsite construction began in October 2022 and is estimated to complete in Fall 2023. This work is currently under contract for nearly $7.4 million.

The Restaurant Plan
The original Homekey acquisition included a 10,500 square foot parcel of commercial restaurant space located at 7631 Topanga Canyon Blvd., in Canoga Park. The property included a recorded commercial lease in place with a well-established local restaurant. The current lease term has been extended through August 2023. The Limited Partnership is currently evaluating development options for this parcel and will present a final plan to HACLA, as required under the Interim Lease Agreement, once established.

Extension of Interim Lease Agreement
The Interim Lease Agreement expires on May 17, 2023. Given the extended period necessary to formulate and implement the Hotel and Restaurant plans, respectively, the Limited Partnership has the right to request two one-year extensions to the Interim Lease and expects it will be necessary to do so. The Authority is anticipated to grant these extensions which provide reasonable time for the Limited Partnership to obtain permanent financing for the Hotel Property and provide the Authority with a detailed plan to develop the Restaurant Property.

Options for Long-Term Ground Lease
Upon completion of the Project and the securing of permanent financing, under the Interim Lease Agreement, the Limited Partnership has the right to request an Option to ground lease the Hotel Property and Restaurant Property for up to 67-years (“Ground Lease”) under the terms provisionally contemplated in the Interim
Lease Agreement. The Limited Partnership anticipates acting on its Option to ground lease after construction is completed and permanent financing is being secured.

**Funding**

The Project Homekey award provided $8,257,350 in funding for acquisition costs and coupled with a draw from HACLA’s line of credit with City National Bank of $3,186,080 HACLA was able to acquire the Property and cover all related closing costs. The Homekey award included $306,000 in Operating Subsidy to be used to support the property’s operations for the first eighteen months which was granted to the Limited Partnership and used to cover the cost of security, management, and maintenance of the Hotel Property while it was operated as interim housing.

Consistent with the HACLA Board of Commissioners’ approval on October 29, 2020 via Resolution No. 9653, HACLA recorded a covenant on the property requiring the Limited Partnership to comply with Project Homekey’s regulatory obligations and its required target population for tenancy. HCD’s grant of Project Homekey funds to HACLA will not require repayment but is conditioned on the Property operating in compliance with the covenant for its fifty-five-year term. Upon conversion to permanent financing, a conventional lender is expected to hold the first mortgage position on the Property until their loan is repaid, and a note and deed of trust are expected to be recorded in their favor.

Up to fifty-one (51) residential units will be subsidized with Section 8 Project-Based Vouchers (“PBV”), and subject to United States Department of Housing and Urban Development (“HUD”) affordability requirements for 20 years under a Housing Assistance Payment (“HAP”) contract, pursuant to the authority granted under the October 2017 HUD Notice PIH 2017-21. As allowed by PBV regulations, HACLA will provide a 20-year HAP extension subject to the future availability of appropriated funds, HUD regulations, the requirements of HACLA’s Section 8 Administrative Plan and the Limited Partnership’s continued compliance with the HAP contract.

To cover construction-related costs, the Property was awarded an additional $2,500,000 through a CDBG-Homekey Set-Aside grant in July 2022 and the Limited Partnership will be entering into a sub-recipient grant agreement with the City of Los Angeles to receive these funds. Subject to approval of HACLA’s Board of Commissioners, the Authority will provide the Limited Partnership a bridge loan in the amount of $2,000,000, to be drawn from its Line of Credit with City National Bank (“Authority Bridge Loan”). Additionally, we seek authority from this Board to issue a Bridge Loan from LOMOD South to the Limited Partnership in the amount of $2,876,549 (“LOMOD South Bridge Loan”). In accordance with the Limited Partnership Agreement, the Bridge Loan will carry a 5% simple interest rate and receives priority for repayment from available cashflow. The Bridge Loan will have a term of thirty (30) years but no prepayment penalty. If the terms of permanent debt are favorable the Bridge Loan can be repaid at permanent conversion. LOMOD South has available capital within its unrestricted operating reserves to issue the Advance Loan to the Partnership.
## Construction Related Funding

<table>
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<th>Funding Source</th>
<th>Amount</th>
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<tr>
<td>CDBG-Homekey Set-Aside Grant</td>
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<tr>
<td>LOMOD South Bridge Loan</td>
<td>$2,876,549</td>
</tr>
<tr>
<td>Authority Bridge Loan</td>
<td>$2,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$7,376,549</strong></td>
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</tbody>
</table>

The Limited Partnership shall make interest payments on the Authority Bridge Loan according to the terms of HACLA’s line of credit agreement with City National Bank (“Revolving Credit Agreement”), and if the Revolving Credit Agreement is amended or replaced with a successor agreement, according to the terms of such amended or successor agreement. The Limited Partnership shall be responsible for such interest payments from the initiation of Authority Bridge Loan borrowings, as well as any fees, penalties, or other charges applicable under the Revolving Credit Agreement, as amended or succeeded, until the Authority Bridge Loan and all applicable fees, penalties, and other applicable charges are paid in full. The Partnership shall prioritize repayment of the Authority Bridge Loan from proceeds of its Permanent Financing Loan, and in the event such proceeds are insufficient to repay the entire indebtedness, proceeds from Net Cash Flow to the extent available shall be used until the respective loan maturity dates, when all remaining unpaid principal and interest shall be due and payable.

In its expenditures for Project costs, the Partnership will first spend the entirety of available CDBG-Homekey Set-Aside Grant funds, and then commence borrowings under the LOMOD South Bridge Loan on an as-needed basis. Once the Partnership has exhausted all authorized LOMOD South Bridge Loan funds, the Partnership shall commence borrowings under the Authority Bridge Loan on an as-needed basis.

Permanent financing is anticipated to occur upon completion of the rehabilitation, once the Property is stabilized and in conjunction with the execution of the Ground Lease. If the Authority Bridge Loan and LOMOD South Bridge Loan are not fully repaid at that time, leasehold deeds of trust pertaining to those loans, along with corresponding subordination agreements, will be recorded against the Ground Lease.

It is understood that to the extent outstanding loans can be repaid at the time of permanent financing, the loans shall be repaid in the following order of priority: 1) Authority Bridge Loan; 2) LOMOD South Advance Loan; 3) any Authority Acquisition Loan contemplated for future Ground Lease value. Any subordination agreements recorded against the Ground Lease shall reflect that order of priority among these loans as well. Due to various restrictions pertaining to the City National Bank line of credit against which the Authority Acquisition Loan and Authority Bridge Loan are drawn, if these loans are unable to be repaid at the time of permanent financing, they will need to be replaced by borrowings more suitable for long-term repayment.
Attachments:

1. Resolution
2. Limited Partnership Agreement
3. Interim Lease Agreement
4. HACLA – Topanga Canyon LP Loan Agreement
5. HACLA – Topanga Canyon LP Promissory Note
6. LOMOD South – Topanga Canyon LP Loan Agreement
7. LOMOD South – Topanga Canyon LP Promissory Note
ATTACHMENT 1

RESOLUTION
RESOLUTION AUTHORIZING THE PRESIDENT, SECRETARY, AND TREASURER OF LOS ANGELES LOMOD SOUTH, INC. TO ENTER INTO THE TOPANGA CANYON HOUSING PARTNERS, LP LIMITED PARTNERSHIP AS ITS ADMINISTRATIVE GENERAL PARTNER, WITH PHK SUP8, LLC, AS ITS MANAGING GENERAL PARTNER, FOR THE PURPOSE OF OWNING REAL PROPERTY LOCATED AT 7625 AND 7631 TOPANGA CANYON, CANOGA PARK, CA; AUTHORIZING EXTENSION OF THE INTERIM GROUND LEASE, PROVISION OF A BRIDGE LOAN TO THE PARTNERSHIP IN THE AMOUNT OF $2,876,549, AND BRIDGE LOAN BORROWINGS BY THE PARTNERSHIP FROM THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES IN AN AMOUNT NOT TO EXCEED $2,000,000; AND AUTHORIZING RELATED ACTIONS AND THE EXECUTION OF RELATED DOCUMENTS

WHEREAS, Los Angeles LOMOD South, Inc. ("LOMOD South") is an instrumentality of the Housing Authority of the City of Los Angeles ("HACLA") and a nonprofit public benefit corporation duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Nonprofit Public Benefit Corporation Law, consisting of Part 2 of Division 2 of Title 1 of the California Corporations Code (the "Act");

WHEREAS, the Act authorizes LOMOD South to make and execute contracts and other instruments necessary or convenient for the exercise of its powers;

WHEREAS, on or about November 18, 2020, HACLA acquired real property located at 7625 and 7631 Topanga Canyon, Canoga Park, CA 91304 ("Canoga Park Place" or the "Property") containing a 52-unit former hotel, formerly known as the Super 8 by Wyndham Canoga Park (APN 2012-022-024, the "Hotel Property") and a restaurant, with a current commercial tenant known as 2 Die for Sushi (APN 2012-022-020, the "Restaurant Property");

WHEREAS, HACLA acquired Canoga Park Place with the intention of converting its hotel units into up to 51 permanent supportive housing residential units, a manager's unit and additional amenities (the "Project"), subsidized under Section 8 Project Based Vouchers (PBV);

WHEREAS, on November 15, 2022, the HACLA Board of Commissioners ("BOC") authorized HACLA to enter Topanga Canyon Housing Partners, LP (the "Limited Partnership") with its instrumentality, LOMOD South as administrative general partner ("AGP") to act as both developer and owner of Canoga Park Place;

WHEREAS, the managing general partner of the Limited Partnership is PHK SUP8 LLC, a limited liability company managed by L.A. Family Housing Corporation ("LAFH"), a California nonprofit public benefit corporation whose mission includes acquiring and developing properties for affordable housing;

WHEREAS, the limited partner of the Limited Partnership is HACLA instrumentality La Cienega LOMOD, Inc., a California nonprofit public benefit corporation;

WHEREAS, on May 17, 2021, the Limited Partnership entered an Interim Lease for a term of two years with two one-year extensions with HACLA for the Property, with the anticipation of entering a sixty-seven (67) year ground lease with HACLA (the "Ground Lease") once the planned construction improvements to the Project are complete;

WHEREAS, on October 1, 2022, the Limited Partnership entered Contract TC-2022-99-MX with Lucy Development Company for the completion of construction improvements to the Property (the "Improvements") for a maximum cumulative payment obligation under the contract
WHEREAS, the Limited Partnership has and will continue receive funding from several public sources including State of California Housing and Community Development Department’s (HCD) Project Homekey program, a CDBG-Homekey Set-Aside grant, and HACLA Section 8 Project Based Vouchers, to finance the development and operation of the Project;

WHEREAS, in order to finance the Improvements, LOMOD South desires to loan the Limited Partnership up to $2,876,549 in the form of a Bridge Loan Agreement (the “LOMOD South Bridge Loan Agreement”) evidenced by a promissory note (the “LOMOD South Bridge Loan Promissory Note”) to be potentially repaid in full at conversion to permanent financing or secured against the Ground Lease via a deed of trust at the time the Ground Lease is entered;

WHEREAS, also in order to finance the Improvements, the Limited Partnership desires to borrow up to $2,000,000 from HACLA in the form of a bridge loan agreement (the “Authority Bridge Loan Agreement”) evidenced by a promissory note (the “Authority Bridge Loan Promissory Note”) to be potentially repaid in full at conversion to permanent financing or secured against the Ground Lease via a deed of trust at the time the Ground Lease is entered;

WHEREAS, to the extent that outstanding loans can be repaid at the time of closing on permanent loan financing for the Project, the loans shall be repaid in the following order of priority: 1) Authority Bridge Loan; 2) LOMOD South Bridge Loan, and 3) any future Authority Acquisition Loan related to the value of the Ground Lease, and any subordination agreements recorded against the Ground Lease shall likewise reflect that order of priority among these loans, or their successors;

WHEREAS, the Board of Directors of LOMOD South must approve the execution of all applicable financing and ownership documents, including a Limited Partnership Agreement, Interim Lease Agreement and any documents, certificates and agreements related to the Project in order to consummate the successful financing and operation of the Project;

WHEREAS, forms of the following major transactions have been presented in this meeting:

• Topanga Canyon Housing Partners, LP Agreement of Limited Partnership

• HACLA – Topanga Canyon Housing Partners Interim Lease Agreement (Interim Lease Agreement)

• HACLA – Topanga Canyon Housing Partners, LP Loan Agreement (Authority Bridge Loan Agreement)

• HACLA – Topanga Canyon Housing Partners, LP Promissory Note (Authority Bridge Loan Promissory Note)

• LOMOD South – Topanga Canyon Housing Partners, LP Loan Agreement (LOMOD South Bridge Loan Agreement)

• LOMOD South – Topanga Canyon Housing Partners, LP Promissory Note (LOMOD South Bridge Loan Promissory Note); and

WHEREAS, in its role as Administrative General Partner for Topanga Canyon Housing Partners, LP, LOMOD South is required to exercise authority to enter into contracts, make financing and operational decisions and commitments on behalf of the Limited Partnership, and the Board of Directors of LOMOD South believes it is in the best interest of the Limited Partnership
and its ability to address day-to-day operations to delegate reasonable authority to its President to conduct its business.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of LOMOD South does hereby authorize and approve as follows:

Section 1. The President, the Secretary or the Treasurer or LOMOD South (collectively, the Authorized Representatives”), are each hereby authorized and directed, to do any and all things necessary and to execute, deliver and perform any and all note, financing or ownership documents, including the Limited Partnership Agreement and any amendments to it, the Interim Lease Agreement and any amendments to it, the Authority Bridge Loan Agreement, the Authority Bridge Loan Promissory Note, the LOMOD South Bridge Loan Agreement, and the LOMOD South Bridge Loan Promissory Note, with such changes as approved by counsel, and all other documents or actions which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the day-to-day operations of the Property, terms and intent of this Resolution and the consummation of the transactions contemplated hereby. All actions heretofore taken by the officers, employees, attorneys and agents of LOMOD South with respect to the Project transactions are hereby approved and ratified, and the officers of LOMOD South and the authorized deputies and employees of LOMOD South, and each of them, are hereby authorized and directed to do any and all things necessary and to enter into and execute, acknowledge and deliver any and all agreements, assignments, certificates and other documents that they or counsel may deem necessary or advisable to consummate the development and financing of the Project and to otherwise to effectuate the purposes of this Resolution without further approval of LOMOD South.

Section 2. That the President is hereby authorized and directed to enter into, execute, and deliver one or more HCD Standard Agreements as necessary or required by the State of California and any grant agreements with the City of Los Angeles and the Housing Authority of the City of Los Angeles on behalf of Topanga Canyon Housing Partners, LP, and any and all other documents required or deemed necessary or appropriate to maintain compliance with the Homekey Program, and all amendments thereto (collectively, the “Homekey Documents”). All activities, expenditures, information, and timelines represented in the Application will be enforceable through the HCD Standard Agreement, any future Ground Lease with the Housing Authority of the City of Los Angeles, the regulatory covenant recorded on the Property, the grant or sub-recipient agreements and funds are to be used for the allowable expenditures and activities identified in the applicable such agreements.

Section 3. That the President is authorized and directed to accept any award of Project Homekey funding for operating subsidy for Canoga Park Place project and ensure that any funds awarded are spent within whatever limits are required by HCD.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately on this day of November 15, 2022.

APPROVED AS TO FORM:  LOS ANGELES LOMOD SOUTH, INC.
JAMES JOHNSON

BY: ________________________________  BY: ________________________________
GENERAL COUNSEL  CHAIRPERSON CIELO CASTRO

DATE ADOPTED: ____________________
ATTACHMENT 2
LIMITED PARTNERSHIP AGREEMENT
AGREEMENT OF LIMITED PARTNERSHIP
OF
TOPANGA CANYON HOUSING PARTNERS, LP

This Agreement of Limited Partnership of TOPANGA CANYON HOUSING PARTNERS, LP (this "Agreement") is made as of March __, 2021 ("Effective Date"), by and among PHK SUPS LLC, a California limited liability company, ("Managing General Partner" or "MGP"), LOS ANGELES LOMOD SOUTH, INC., a California nonprofit public benefit corporation ("Administrative General Partner" or "AGP"), and La Cienega LOMOD, Inc., a California nonprofit public benefit corporation ("Limited Partner"). The MGP and AGP are collectively referred to herein as the "General Partners", and together with the Limited Partner, collectively, the "Partners". Initially capitalized terms used but not defined herein shall have the meaning ascribed thereto on Schedule A attached to this Agreement.

REGISTRATION:

A. The Managing General Partner was formed and organized exclusively for charitable purposes as specified in Section 214 of the California Revenue and Taxation Code ("R&T Code"), and is organized for the purpose of providing housing for low income persons and to serve as a general partner in a limited partnership which owns and operates housing for the benefit of low income persons who are in need of affordable, decent, safe and sanitary housing and related services.

B. The Administrative General Partner is an instrumentality of the Housing Authority of the City of Los Angeles, a public body, corporate and politic ("HACLA"), which was created, established, and authorized to transact business and exercise powers under and pursuant to the provisions of the Housing Authorities Law of the State of California (consisting of Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code ("HSC")), for the purposes of facilitating the administration and expansion of safe and affordable housing for constituents within the City of Los Angeles.

C. HACLA and L.A. Family Housing Corporation ("LAFH"), the sole member of the Managing General Partner, applied and were awarded a commitment of approximately $8,563,350 ("Homekey Funds") in federal Coronavirus Aid Relief Funds allocated to and administered by the California Department of Housing and Community Development ("HCD") via its Homekey Program, as described in the Notice of Funding Availability dated July 16, 2020 (the "Homekey NOFA").

D. On November 18, 2020, HACLA acquired that certain real property located at 7625 Topanga Canyon and 7631 Topanga Canyon, Canoga Park, CA 91304 (the "Premises"), which contains a hotel, formerly known as the Super 8 by Wyndham Canoga Park (APN 2012-022-024, the "Motel Property"), a restaurant, with a current commercial tenant known as 2 Die For Sushi ("Existing Tenant") (APN 2012-022-020, the "Restaurant Property"), and certain personal property and fixtures located thereon (collectively the "Property") for a total purchase price of $11,118,600. The Property was acquired for the purpose of participating in HCD's Homekey Program and $8,257,350 of the Homekey Funds were used by HACLA to complete the purchase of the Property.

E. The Partners seek to enter into this Partnership to enable (i) the Partnership to lease the Property from HACLA (initially pursuant to the Master Lease (defined below) and later, pursuant to the Ground Lease (defined below)), (ii) the acquisition of the remaining Homekey Funds by the Partnership from HACLA pursuant to a grant agreement between HACLA and the Partnership, executed concurrently
herewith (the “Grant Agreement”), (iii) the pursuit of competitive and conventional sources of financing to further acquisition and development of the Property; (iv) the conversion/rehabilitation of the 52 room motel located on Property to facilitate the operation of a permanent supportive housing development serving those experiencing or at risk of experiencing homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) and are impacted by the COVID-19 pandemic (such project, as more particularly described in the Standard Agreement between HACLA, LAFH and the HCD and as further described in Schedule B, attached hereto, the “Phase I Project”), and (v) development of a new construction project on the restaurant property to further expand the number of affordable housing units in the City of Los Angeles (the “Phase II Project” and collectively with the Phase I Project, the “Projects”).

F. Following the execution of this Agreement (i) the Partnership shall Master Lease the Property improvements (“Improvements”) and personal property located on the Property/within the Improvements (“Personal Property”) from HACLA, pursuant to a Master Lease, between HACLA and the Partnership (the “Master Lease”) for use by the Partnership as interim supportive housing (and, with respect to the Restaurant Property, initially manage and operate it until the existing lease with the Existing Tenant expires or is terminated, and thereafter convert it to affordable housing and community/service space), which Master Lease includes an option to Ground Lease the Property (the “Ground Lease”); (ii) at such time as the Partnership is able to finance the acquisition and rehabilitation of the Property, the Partnership shall enter into one or more Ground Leases with HACLA as well as a Grant Deed for the Improvements and Personal Property thereon, (iii) HACLA shall grant to the Partnership the remaining Homekey Funds ($306,000) to be utilized as one of the sources for the operation of interim housing by the Partnership pursuant to the Grant Agreement, (iv) the Partnership shall enter into a Memorandum of Understanding (“MOU”) with LAFH (“Service Provider”) for management and operation of the Property as interim supportive housing, and will enter into a management agreement (“Management Agreement”) EAH, Inc. (“Manager”), as necessary, to provide general maintenance and as needed management services, (iv) the Partnership shall actively pursue conventional and competitive funding to develop the Projects and will obtain a subordinate loan from HACLA (the “Initial Lender”), in the amount of $8,257,350 (the “Homekey Loan”) which shall be secured by a deed of trust recorded against the Motel Property and a Promissory Note, executed by the Partnership in favor of HACLA, allowing for Service Repayment if the terms of the Homekey Funds are met; and (v) any conventional financing shall be guaranteed by the Limited Partner and/or HACLA (the “Guarantor”).

NOW THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties, and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Partners hereto do hereby agree as follows:

1. **Formation of Limited Partnership.** The Partners hereby form a limited partnership (the “Partnership”) pursuant to the California Uniform Limited Partnership Act of 2008 (the “Act”).

2. **Name and Principal Office.** The name of the Partnership is TOPANGA CANYON HOUSING PARTNERS, LP, a California limited partnership, whose principal office and place of business is located at 2600 Wilshire Boulevard, Los Angeles, CA 90057, or such other location within the State of California as may hereafter be determined by the General Partners.

3. **Purpose.** The Partnership’s primary purpose shall be to acquire, construct, own,
operate, manage, and lease the Property for the purpose of (i) operating the Phase I Project as a supportive and affordable housing development serving individuals and families experiencing or at risk of experiencing homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) as well as those qualifying for Section 8, and (ii) operating the Restaurant Property initially pursuant to the lease with the Existing Tenant, and later, converting such property to the Phase II Project as additional affordable housing and related community and service space. In furtherance of the Partnership’s primary purpose, the Partnership is to engage in the following activities:

(a) to ground lease, rehabilitate, manage, maintain, develop, improve, sub-lease, and operate the Property and the Projects (and enter into contracts with third parties for same, including the Management Agreement with the Manager and the MOU with the Service Provider); and

(b) to enter into such agreements and make such presentations before governmental authorities as are necessary for, and to carry out the acquisition, financing, ownership, development, rehabilitation and leasing of the Property as low income housing; and

(c) to borrow money and issue evidences of indebtedness in furtherance of the Partnership business and secure any such indebtedness by mortgage, pledge, or other lien; provided, however, that the Partners shall have no personal liability for the repayment of the principal or payment of interest on any Loans (as defined in Schedule A attached), and that the sole recourse of any Lender (other than carveouts), with respect to the principal thereof and interest thereon, shall be solely to the property securing such Loan and the Guaranty provided by Limited Partner and/or HACLA; and

(d) to enter into the Basic Documents (as defined in Schedule A) providing for regulations with respect to governmental subsidies, rents, profits, dividends and the disposition of property; and

(e) to enter into and perform its obligations under the Homekey Documents (as defined in Schedule A) and all requirements of the Homekey Program; and

(f) to provide housing to qualified tenants, consistent with the requirements of the Homekey Documents and the Homekey Program as well as the Section 8 Housing Assistance Payment Contract and all other regulatory requirements of additional funding sources to provide up to 50 Project-Based Vouchers for the Phase I Project and to rent dwelling units within both the Projects in accordance with the terms and conditions of this Agreement; and

(g) to negotiate for and conclude agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Partnership, or for the refinancing of any Loan on the property of the Partnership; and

(h) to engage in any lawful act or activity and to exercise any powers permitted to partnerships organized under the laws of the State of California that are related or incidental to and necessary, convenient or advisable for the accomplishment of the above-mentioned purposes.

4. Certificates. The General Partners have executed, delivered and filed a Certificate of Limited Partnership (LP-1) with the Secretary of State of the State of California, which filing is ratified, approved and confirmed. Each General Partner (or an authorized designee of same) shall be entitled to execute, deliver and file any other certificates (and amendments therefor) necessary for the Partnership
to qualify to do business in the State of California.

5. **Designation of Agent for Service of Process.** The Partnership’s agent for service of process shall be Tina Smith-Booth, Director of Asset Management, c/o Los Angeles LOMOD South, Inc., 2600 Wilshire Boulevard, Los Angeles, CA 90057.

6. **Term of Partnership.** The Partnership commenced as of the date of the filing of the Certificate of Limited Partnership in the Office of the Secretary of State of the State of California and shall terminate upon the dissolution of the Partnership pursuant to Paragraph 20 herein.

7. **Contributions; Partnership Interests; Withdrawals and Allocations of Profits and Losses.**

   (a) **Initial Contributions.** In its capacity as the Administrative General Partner, AGP shall contribute $64.99 in cash to the Partnership. In its capacity as the Managing General Partner, MGP shall contribute $35.00 in cash to the Partnership. In its capacity as the Limited Partner, La Cienega LOMOD, Inc. shall contribute $0.01 in cash to the Partnership. Each contribution shall be fully paid and contributed to the Partnership as of the date of this Agreement.

   (b) **Percentage Interests.** For its contribution, each Partner shall have the following percentage interests in the Partnership (each, a "Percentage Interest"): (a) in its capacity as Administrative General Partner, AGP shall have a 64.99% Percentage Interest in the Partnership, (b) in its capacity of Managing General Partner, MGP shall have a 35% Percentage Interest in the Partnership, and (c) in its capacity as Limited Partner, La Cienega LOMOD, Inc., shall have 0.01% Percentage Interest in the Partnership. The Partners' respective Percentage Interest may be modified as set forth in Sections 16 and/or 17, below.

   (c) **Additional Contributions.** The Partners shall not be required to make any contribution or otherwise advance funds to the Partnership except as provided in this subsection (c).

     Either General Partner may, by providing written notice calling for additional capital (each, a "Call Notice") to the Partners, call for additional capital contributions to be made to the Partnership by the Partners which relate to any expenses, costs, liabilities or obligations incurred by the Partnership which are to be expensed for the following items (but only to the extent the revenue from the Property/Projects is insufficient to pay same and/or to the extent the available funds in the Reserves are insufficient or restricted from paying for such items) ("Involuntary Expenses"): (i) to comply with any applicable law, (ii) to remedy an emergency or life safety issue, (iii) to pay real estate taxes, insurance premiums and other non-discretionary expenses, (iv) to avoid any abuse, destructive or improper use, spoiling, physical damage or material deterioration of the Property/Project, and (v) to make payments required by any Lender or pursuant to any leases above and beyond available cash-flow and not covered by a guarantor. Each Partner agrees to fund its allocable share, pro rata in accordance with its respective Percentage Interest, within ten (10) business days of the date of the applicable Call Notice.

In the event that a Partner shall fail to contribute its share of capital called for pursuant to this Section 7(c) as and when required, then the Administrative General Partner or Managing General Partner shall have the right to advance such funds on behalf of the non-contributing Partner, which amount shall be treated as a loan made by such Partner to the Partnership ("Advance Loan"), which Advance Loan shall bear interest compounded monthly at a rate equal to five percent (5%), and shall be repaid to the contributing Partner in accordance with Section 9 below.
(d) **Withdrawals and Return of Capital.** Except as expressly provided herein, a Partner shall not have the right to demand return of any contribution or to withdraw any other portion of Partnership capital. If the Partnership assets remaining after the payment or discharge of Partnership expenses are insufficient to return any Partner's total contributions, a Partner shall have no recourse against any of the Partners or against the Partnership.

(e) **No Interest on Capital.** Except as expressly provided herein, the Partnership shall not pay to any Partner interest on any contribution or on undistributed or reinvested profits.

(f) **Allocations of Profits and Losses.** Profits and losses for any year shall be allocated to the Partners in accordance with their then-respective Percentage Interest(s). Upon admission of an Additional Limited Partner, the allocations of profit and losses among the Partners shall be adjusted to reflect the fair market value of such Additional Limited Partners' capital contribution at the time of such admission.

8. **Fees**

(a) **Management Fees.** The Partnership shall pay the fees (collectively, the "Management Fees") out of Net Cash Flow to the Partners as may be agreed upon by the Partners.

(b) **Developer Fee.** Any Developer Fee received by the General Partners shall be split pari passu among the General Partners, with 65% to the Administrative General Partner and 35% to the Managing General Partner.

9. **Distribution of Developer Fee, Net Cash Flow and Sale/Refinancing Proceeds.** The Partnership shall distribute any Management Fees and/or Net Cash Flow at the times and in the aggregate amounts determined by the Administrative General Partner, but distributions shall be made not less frequently than annually and shall be made in the manner provided in this Section 9.

(a) **Net Cash Flow.** All Net Cash Flow, after payment of the Management Fees set forth in Section 8 above, shall be paid as follows:

1. First, to fund each of the Reserves until the Reserve Sufficiency Amount has been met;

2. Second, to the repayment of any Advance Loan together with outstanding interest thereon;

3. Third, to the Partners pari passu in accordance with their respective Percentage Interest.

(b) **Capital Transaction Proceeds.** The net proceeds resulting from any Capital Transaction shall be distributed and applied in the following order of priority:

1. First, to the payment of any current and/or deferred Asset Management Fees to the Administrative General Partner and/or Partnership Management Fees to the Managing General Partner;
(ii) Then, to the payment of any Developer Fee *pari passu* to the Partners in accordance with their respective Percentage Interests;

(iii) Then, in the case of a refinancing only, to fund each of the Reserves until the Reserve Sufficiency Amount has been met;

(iv) Then, to the payment of accrued and unpaid interest and the outstanding principal balance of any existing Loan;

(v) Then, to the repayment of any Advance Loan together with outstanding interest thereon made by a Partner to the Partnership;

(vi) Finally, the balance of such remaining sum, to the Partners *pari passu* in accordance with their respective Percentage Interest.

10. **Distributions Following Dissolution.** Upon the Partnership's dissolution, the Partnership's business shall be immediately wound up. Any gain or loss on the disposition of Partnership property during the Partnership's liquidation shall be credited or charged to the Partners in accordance with their respective Percentage Interest. Partnership assets in the course of the liquidation shall be applied and distributed as follows (and in the following priority order):

(a) Payment to creditors of the Partnership, including Partners for any Advance Loans, in the order of priority provided by the Act. In the discretion of the Managing General Partner, separate reserves may be established to meet any contingent obligations or liabilities of the Partnership and, if and when those contingencies shall cease to exist, any remaining assets in the reserves shall be distributed as provided in this Section 10.

(b) Distributions to the Partners shall be in accordance with their respective positive capital account balances and otherwise in accordance with Section 20.1 below

For purposes of distributions to Partners, capital account balances shall be determined after taking into account all capital account adjustments for the fiscal year in which the liquidation occurs, and payment by the Partnership with respect to these balances shall be made by the end of that fiscal year or, if later, within ninety (90) days after the date of the liquidation. For this purpose, a liquidation of the Partnership shall be deemed to occur on the earlier of the date on which (i) the Partnership is terminated under Internal Revenue Code (the “Code”) Section 708(b)(1) or (ii) the Partnership ceases to be a going concern.

11. **Limitation of Liability.** Except as otherwise provided by the Act or applicable law, the Limited Partner shall not be liable to the Partnership for any cash or property in excess of its respective capital contribution, except to the extent that the Limited Partner may be required to return a distribution to the Partnership under the Act.

12. **Withdrawal and Transfer.**

(a) **Withdrawal of a General Partner.** Except as otherwise provided herein, no General Partner shall have the right to withdraw or retire voluntarily from the Partnership or sell, assign
or encumber its respective interest in the Partnership without the consent of the other Partners unless such sale, assignment or encumbrance is assigned to an instrumentality with the same managing member or manager.

(b) Transfer or Sale of Partner's Interest. In the event any Partner seeks to transfer, assign, or sell all or any part of its interest in the Partnership, the other Partners shall have the right of first refusal to acquire such interest (or portion thereof). If a Partner receives an offer from a third party seeking any sale, conveyance, assignment or transfer, whether in whole or in part, of any interest in the Partnership, ("Offer"), such Partner shall immediately furnish the other Partners with a copy of the Offer. The other Partners shall have the right within ninety (90) days after it receives such copy to match the financial terms of the Offer and agree in writing to match such terms of the Offer. Such writing shall be in the form of a contract substantially similar to the Offer. If the other Partners choose not to exercise this right or fails to provide written notice to the offering Partner within the ninety (90) day period, such Partner may sell, convey, assign or transfer such interest in the Partnership pursuant to the Offer, subject to the terms of this Agreement. If a Partner attempts to sell, convey, assign or transfer its interest in the Partnership without complying with this Section, the sale, conveyance, assignment or transfer shall be void.

13. Capital Accounts. A capital account shall be maintained for each Partner by the MGP in accordance with Treasury Regulations section 1.704-1(b)(2)(iv).


(a) Except as otherwise set forth in this Agreement, the General Partners, individually and/or collectively (within the authority granted to each General Partner under this Agreement) shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purposes of the Partnership as stated in Section 3, shall make all decisions affecting the business of the Partnership and shall manage and control the affairs of the Partnership to the best of each General Partner's ability and each General Partner shall use its best efforts to carry out the purpose of the Partnership. In so doing, each General Partner shall take all actions necessary or appropriate to protect the Interests of the Partnership. Each General Partner shall devote such time as is necessary to the affairs of the Partnership.

(b) Each General Partner, in the proper and reasonable exercise of its management authority, may delegate all or any of its powers, rights, and obligations hereunder and may appoint, employ, contract or otherwise deal with any Person for the transaction of business of the Partnership, which Person may, under the supervision of the delegating General Partner, perform any acts or services for the Partnership as such General Partner may approve, except in no event shall a General Partner delegate its management responsibilities hereunder to any Person who is not a General Partner, nor shall any delegation relieve such General Partner of its obligations under this Agreement. The Managing General Partner shall provide regular, continuous and substantial services to the Partnership and shall materially participate (within the meaning of Section 42(h) of the Code) in the development of the Projects and operations of the Partnership. Separately, the General Partners shall have all rights, powers and authority conferred by applicable law, or necessary, or advisable, and consistent with accomplishing the Partnership's purpose and is hereby authorized to execute and deliver in the name and on behalf of the Partnership all such documents and papers (including any required by any Lender or governmental authority) as the General Partners deem necessary or desirable in carrying out such duties hereunder, subject to the provisions of this Agreement. In the event this Agreement provides for
an action on the part of the General Partners requiring a vote of the majority in interest of the General Partners to effect such action, the General Partners shall each have the right to vote in accordance with their respective Percentage Interests; provided, however, that any Major Decisions or decisions by the General Partners under the provisions of Section 14 (e) and (f) hereof that affect the Projects' eligibility for the Property Tax Exemption shall not be made without the consent of the Managing General Partner in its reasonable discretion.

(c) In furtherance and not in limitation of the foregoing provisions, both General Partners are specifically authorized and empowered to execute and deliver, on behalf of the Partnership, the following documents: all documents relating to the Project, the Loan Documents, and all Basic Documents, and to execute any and all other instruments and documents, and amendments thereto; provided the Limited Partner shall be provided with the opportunity to review and consent to any such documents prior to their execution by the General Partners in the event such document or amendment would reasonably be determined to have a material impact on the Limited Partner's rights or obligations under this Agreement; such instruments and documents shall include, but are not limited to, executing any Loan or Loan Document, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith. All documents executed on behalf of the Partnership must be jointly executed by Administrative General Partner and Managing General Partner, except with respect to the Management Documents (as defined below), which the AGP may freely execute on behalf of the Partnership except for items vi, vii and ix which should require the signature of both partners. All decisions made for and on behalf of the Partnership by both the General Partners shall be binding upon the Partnership. No Person dealing with a General Partner shall be required to determine its authority to make any undertaking on behalf of the Partnership, nor to determine any facts or circumstances bearing upon the existence of such authority. Notwithstanding the foregoing, no General Partner shall have the authority to make any decisions affecting the obligations of the Limited Partner under the Guaranty, or the other General Partner under this Agreement. To that end and notwithstanding anything in this Agreement to the contrary, neither General Partner shall have the right to unilaterally consent to or approve any matter which could reasonably increase the likelihood that any guarantee of a General Partner or of its affiliates if one is provided or the Guaranty by the Limited Partner, could be called upon.

(d) The following matters shall constitute "Major Decisions" requiring the approval of both General Partners, and neither General Partner shall have the right to the following without the approval of the other General Partner:

(i) perform any act in violation of the Act, applicable laws, this Agreement, or the Basic Documents;

(ii) borrow from the Partnership or commingle Partnership funds with funds of any other Person;

(iii) execute or deliver any general assignment for the benefit of creditors or file a petition or acquiesce in the filing of a petition for Bankruptcy;

(iv) amend the terms of any Loan, Loan Document or any other Basic Document or enter into any material agreement or instrument binding on the Partnership, the Property, or the Project, or to permit any party thereunder to waive any provision thereof, to the extent that the effect of such amendment or waiver would be to eliminate, diminish, or defer any obligation or undertaking of the Partnership, the General Partners or their affiliates which accrues, directly or
indirectly, to the benefit of, or provides additional security or protection to, the Limited Partner;

(v) borrow in excess of $10,000 in the aggregate at any one time outstanding on the general credit of the Partnership, except for the Loan and except as and to the extent provided for in the then-approved Budget;

(vi) agree to any change order any construction contract (a) in excess of $60,000, for any one line item or change orders in excess of $100,000 in the aggregate or (b) which diminishes the quality of the construction or materials used in the Projects (regardless of the dollar amount involved);

(vii) construct any new or replacement capital improvements on the Projects which substantially alter the Projects or their use or which are at a cost in excess of $10,000.00 in a single Partnership fiscal year, or rebuild the Project with the use of insurance proceeds, except (a) replacements and remodeling in the ordinary course of business or under emergency conditions, or (b) reconstruction paid for from insurance proceeds, or (c) as and to the extent provided for in an approved Budget;

(viii) acquire any real property other than as provided under the Ground Lease and/or easements reasonable and necessary for the operation of the Project;

(ix) refinance any Loan;

(x) confess a judgment against the Partnership in excess of $5,000, or commence or settle, or acquiesce in the commencement or settlement of any legal actions, arbitration, or other like proceedings involving the Partnership or the General Partner (other than lease enforcement and eviction actions in the ordinary course of business);

(xi) admit any Person as a General Partner or an Additional Limited Partner, or withdraw as General Partner;

(xii) dissolve the Partnership or take any action which would result in dissolution;

(xiii) prepay (except as contemplated in this Agreement) or modify the terms of any Loan, or sell, grant an option to acquire, exchange, mortgage, encumber, pledge or otherwise transfer all or any portion of any interest in the Partnership or the Partnership's interest in the Projects (except as provided in this Agreement), or borrow funds or participate in a merger or consolidation with any other entity;

(xiv) change the nature of the business of the Partnership, or do any act which would make it impossible to carry on the ordinary business of the Partnership;

(xv) take any action which would cause the termination of the Partnership for federal income tax purposes under Code Section 708;

(xvi) make any expenditure or incur any liability on behalf of the Partnership in excess of $25,000 which is not identified in the approved Budget except with respect to emergency repairs necessary to protect the safety and comfort of the tenants/occupants or the structural integrity of the Project;

(xvii) make, amend or revoke any tax election required of or permitted to be
made by the Partnership under the Code or other applicable regulations, including, without limitation, any election under Section 42 (including an election to treat any year other than the year the building is placed-in-service as the first year of the Credit Period (as defined in Code Section 42(f) for the Project) or Section 754 of the Code;

(xviii) approve any increase in fees to either of the General Partners or any affiliate of the General Partners;

(xiv) amend or modify this Agreement; and/or

(xv) cause the Partnership to accept or receive any grant, unless expressly contemplated under the terms of this Agreement or which has no material adverse tax consequences to the Projects or Partnership.

(e) The Managing General Partner shall ensure that the Property is being used for and meets all of the requirements applicable to the real property tax exemption ("Property Tax Exemption") provided for under Section 214(g) of the R&T Code ("Section 214"), as amended, and as further defined by BOE Property Tax Rule 140 (and any additional requirements of the Board of Equalization ("BOE")), and submit annual certifications to the County Assessor for Los Angeles County of same. Any savings to the Partnership and Partnership's property attributable to the Property Tax Exemption shall be used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income individuals or otherwise be passed on to the occupants / tenants at the Projects in accordance with all applicable provisions of Section 214, as amended. Further, the Managing General Partner represents, warrants and covenants that (i) MGP and its sole member, LAFH, have each obtained an Organizational Clearance Certificate (the "OCC") from the BOE, (ii) MGP and LAFH shall maintain their respective OCC at all times that the Partnership owns the Projects or any interest therein. Separately, the Managing General Partner shall effect and supervise the compliance of the Partnership and the Projects with all legal requirements including, without limitation, Sections 4(b) and 5 of the Article XIII of the Constitution of the State of California and Sections 254 and 259.5 of the R&T Code, as amended.

(f) If the Partnership decides to utilize tax credits for a future rehabilitation or new construction project related to the Property, the Managing General Partner shall interface with the California Tax Credit Allocation Committee ("TCAC") and shall supervise all activities with TCAC reasonably necessary to enjoyment of the low income housing tax credits for the Projects.

(g) In addition, from and after the Partnership's acquisition of the Project, the Managing General Partner shall have the following specific duties that it will perform on behalf of the Partnership ("Substantial Management Duties"): 

(i) Rent, maintain and repair the low-income housing Property or, if such duties are delegated to the Manager or Service Provider, participate in hiring and overseeing the work of the property management agent;

(ii) Participate in hiring and overseeing the work of all persons necessary to provide services for the management and operation of the business of the Partnership, including the Manager and accountants;
(iii) Prepare or cause to be prepared all reports to be provided to the Partners and/or the Lender on a monthly, quarterly or annual basis consistent with the requirements of this Agreement and the Loan Documents, as the same may be amended from time to time;

(iv) Monitor compliance with all government regulations and file or supervise the filing of all required documents with governmental agencies related to the Property;

(v) Enforce all contracts entered into by the Partnership;

(vi) Vote in all matters of the Partnership that require a vote of the majority in interest or unanimous approval of the General Partners;

(vii) Annually conduct a physical inspection of the Projects to ensure that the Projects are being used as a low income housing project meeting the requirements applicable to Federal Credits and meeting all the requirements of the BOE and the Property Tax Rules; and

(viii) Ensure that charitable services or benefits, such as vocational training, educational programs, childcare and after-school programs, cultural activities, family counseling, transportation, meals and linkages to health and/or social services are provided or information regarding charitable services or benefits is made available to the low-income housing tenants at the Property.

(h) From and after the Partnership's acquisition of the Property pursuant to the Master Lease, the MGP shall delegate to the AGP the management of the following records and documents ("Management Documents"):

(i) accounting books and records;

(ii) tax returns;

(iii) budgets and financial reports;

(iv) reports required by lenders;

(v) documents related to the construction or rehabilitation of the Property;

(vi) legal documents such as loans, deeds, notes, leases and deeds of trust;

(vii) documents related to complying with government regulations and filings;

(viii) documents and contracts relating to Property inspections and management;

(ix) documents related to charitable services or benefits provided or the information provided regarding such services or benefits;

(x) reports prepared for the Partners;
(xii) audited annual financial statements of the Partnership; and

(xiii) the Management Agreement and MOU.

To the extent that any such Management Documents are not within the control or possession of the Administrative General Partner, the MGP and/or the Limited Partner agree to provide or cause to be provided copies of such documents to the Administrative General Partner upon written request from the AGP. The Managing General Partner and the Limited Partner shall have the right upon ten (10) business days' notice, during reasonable business hours, to inspect all records and documents maintained by the Administrative General Partner.

(i) Subject to the BOE Property Tax Rules governing the Property Tax Exemption, the MGP may delegate any or all of its Substantial Management Duties to the AGP provided the MGP supervises performance of such duties, and provided that such delegation does not excuse the Managing General Partner from overseeing and supervising on an ongoing basis the activities delegated. Notwithstanding the foregoing, the Managing General Partner shall maintain appropriate records to demonstrate that it is actually supervising the performance of the delegated duties. Accordingly, the Managing General Partner hereby delegates (subject to the terms and conditions of this Agreement) to the Administrative General Partner the Substantial Management Duties described above, which delegation shall terminate upon the earlier of (i) the removal of the Managing General Partner or the Administrative General Partner as a general partner of the Partnership pursuant to the terms of this Agreement, (ii) the sale of the improvements to the Partnership (iii) the termination of this Agreement or the Partnership, (iv) the breach of this Agreement by the Administrative General Partner.

(j) Notwithstanding anything to the contrary hereunder, the General Partners shall not have the right to (i) Do any act in contravention of this Agreement or the Act, (ii) Do any act in contravention of the Basic Documents, or any other regulatory agreements applicable to the Property or the Project, or any other documents recorded against the Property, or (iii) File any voluntary petition for the Partnership under the federal Bankruptcy Act, or seek the protection of any other federal or state bankruptcy or insolvency law or debtor relief statute.

(k) The Managing General Partner shall be the "Partnership Representative" for purposes of Section 6223 of the Code (as amended by the Bipartisan Budget Act of 2015 ("BBA")).) and the Treasury Regulations promulgated thereunder and shall have and perform all of the duties required under such laws and regulations, including the following duties:

(i) Comply with the requirements of Code §§ 6221 through 6231, as amended by the BBA, applicable to a Partnership Representative;

(ii) Furnish the name, address, profits interest and taxpayer identification number of each Partner to the Internal Revenue Service ("IRS");

(iii) Forward to the Partners copies of all correspondence or communication relating to the Partnership or a Partner from the IRS within five (5) calendar days of receipt of such correspondence or communication by the Partnership Representative; and
In the event that the Partnership shall be the subject of an audit by any federal, state or local taxing authority, including administrative settlement and judicial review, the Partnership Representative shall be authorized to act for, and its decision shall be final and binding upon, the Partnership and each Partner thereof so long as the Managing General Partner acts in good faith. The Partnership Representative shall not have the authority to approve the settlement or compromise of any audit matters affecting the Partnership without the Administrative General Partner’s prior consent. The Partnership Representative shall notify the Partners of any administrative proceeding with respect to the Partnership pursuant to Section 6223(g) of the Code. The Managing General Partner shall, after the end of each fiscal year, promptly prepare such tax information as may be reasonably necessary to enable the Partners to prepare their federal, state and local income tax returns relating to such fiscal year.

Except as otherwise provided by the Act or other applicable laws, the Limited Partner shall not have control or approval over the activities of the Partnership.

The Administrative General Partner shall have the right to remove the Managing General Partner in the event that the Managing General Partner defaults by failing to discharge its material duties and obligations under this Agreement. The Administrative General Partner shall give written notice to Managing General Partner describing such default(s) and Managing General Partner shall have thirty (30) days to cure the defaults, provided however, if such default(s) are not by their nature capable of curing within such thirty (30) day period, then the Managing General Partner shall not be in default if it commences to cure the default(s) within the thirty (30) day period and diligently prosecutes such cure to completion, not to exceed ninety (90) days in the aggregate.

The Managing General Partner shall have the right to remove the Administrative General Partner in the event that the Administrative General Partner defaults by failing to discharge its material duties and obligations under this Agreement. The Managing General Partner shall give written notice to Administrative General Partner describing such default(s) and Administrative General Partner shall have thirty (30) days to cure the defaults, provided however, if such default(s) are not by their nature capable of curing within such thirty (30) day period, then the Administrative General Partner shall not be in default if it commences to cure the default(s) within the thirty (30) day period and diligently prosecutes such cure to completion, not to exceed ninety (90) days in the aggregate.

15. **Accounting.**

(a) The Administrative General Partner shall keep or cause to be kept complete and accurate books of account and records with respect to the Partnership’s business. The Partnership books of account shall be kept at the principal place of business of the Partnership and shall be open for inspection by any Partner at all reasonable times.

(b) All accounts of the Partnership shall be kept on an accrual basis. The Partnership’s books of account shall be kept in accordance with GAAP, or such other method of accounting determined by the Administrative General Partner. The Partnership’s independent auditor, if any, shall be an independent public accounting firm selected by the AGP. All matters of accounting for which there is no provision in this Agreement are to be governed by generally accepted methods of accounting.

(c) The profits and losses of the Partnership and its books of account shall be maintained on a fiscal year basis ending on December 31 of each year.
(d) All funds of the Partnership not otherwise invested shall be deposited in one or more accounts maintained in such banking institutions as the Administrative General Partner shall determine, and withdrawals shall be made only in the regular course of Partnership business on such signature or signatures as the Managing General Partner may, from time to time, determine. No funds of the Partnership shall be deposited in any financial institution in which any Partner is an officer, director or holder of any proprietary interest.

16. Transfer or Pledge. A Partner's interest in the Partnership shall not be assigned, pledged, sold or otherwise transferred, in whole or in part, without the prior written consent of all of the other Partners, except as set forth in Section 17.

17. Admission of Additional / Substitute Limited Partner; Acquisition of the Limited Partner's Interest. Upon the admission of any additional limited Partner to the Partnership, the Limited Partner's Percentage Interest as a limited partner in the Partnership will be reduced to reflect the proportion of capital invested by the Limited Partner as a limited partner to the proportion of capital invested by the additional limited partner(s). In addition to, and not by way of limitation of, the foregoing, upon admission of any additional limited partner(s) to the Partnership, the Limited Partner shall have the right to require the Partnership to purchase its limited partner interest in the Partnership by delivering thirty (30) days' written notice thereof to the Partnership. In such case, the purchase price to be paid by the Partnership to the Limited Partner as a withdrawing limited partner shall be equal to the amount of any cash contributed by the Limited Partner to the Partnership at or prior to the time of such purchase. Upon delivery of the purchase price by the Partnership to the Limited Partner, the Limited Partner shall execute and deliver to the Partnership such instruments of conveyance as the Partnership may reasonably require so as to transfer to the Partnership, or its designee, all of the Limited Partner's right, title and interest in and to its limited partner interest in the Partnership.

18. Additional or Substituted Partners. Upon the prior written consent of all of the General Partners, additional general or limited partners or substitute general or limited partners may be admitted to the Partnership upon such terms and conditions as the General Partners deem necessary.

19. Indemnification.

(a) No Partner shall have any liability or obligation to the other Partner(s) or the Partnership for any decision made or action taken in connection with the discharge of its duties hereunder or when otherwise acting on behalf of the Partnership unless such decision or action resulted from fraud, negligence, willful misconduct, or a material breach of this Agreement. To the fullest extent permitted by applicable law, neither the General Partners, nor the Limited Partner, nor any, employee or agent of the Partnership nor any employee, representative, manager, director, commissioner, consultant, agent or affiliate of any of the Partners (collectively, the "Covered Persons") shall be liable to the Partnership for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Partnership and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Partnership, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence or willful misconduct.

(b) Notwithstanding anything to the contrary in this Agreement, the Partnership's Certificate of Formation or otherwise: (x) the Partnership shall be the indemnitor of first resort (i.e., the
Partnership's obligations to each Covered Person are primary and any obligation of the Partners to advance expenses or to provide indemnification for the same expenses or liabilities incurred by each Covered Person are secondary), and (y) the Partnership irrevocably waives, relinquishes and releases the Partners from any and all claims for contribution, subrogation or any other recovery of any kind in respect thereof. Moreover, no officer, member, manager, director, agent, or employee of any Partner shall have any liability under this Agreement.

(c) The Partnership does hereby indemnify, defend, protect and agree to hold the General Partners wholly harmless from and against any loss, cost, damage, liability, claim, suit, action, cause of action, fine, penalty or expense ("Claims"), including, without limitation, reasonable attorneys' fees, suffered by the General Partners by reason of anything which the General Partners may do or refrain from doing hereafter for or on behalf of the Partnership and in furtherance of its interest; provided, however, that the Partnership shall not be required to indemnify a General Partner from any loss, expense or damage which a General Partner may suffer as a result of its failure to perform its duties hereunder in good faith with due diligence or in taking any action beyond the authority of such General Partner. Any indemnity under this Section 19 shall be provided out of and to the extent of Partnership assets only, and no Partner shall have any personal liability on account thereof.

(d) Except as otherwise provided in this Section 19, the Managing General Partner does hereby indemnify, defend, protect and agrees to hold the Partnership, the Administrative General Partner and the Limited Partner wholly harmless from and against any Claims, including, without limitation, reasonable attorneys' fees, suffered by the Partnership, the Administrative General Partner or the Limited Partner by reason of the default of the Managing General Partner under the Basic Documents, the Ground Lease or its acts or omissions in discharging its obligations under this Agreement.

(e) Except as otherwise provided in this Section 19, the Administrative General Partner does hereby indemnify, defend, protect and agrees to hold the Partnership, the Managing General Partner and the Limited Partner wholly harmless from and against any Claims, including, without limitation, reasonable attorneys' fees, suffered by the Partnership, the Managing General Partner or the Limited Partner by reason of the default of the Administrative General Partner under the Basic Documents, the Ground Lease or its acts or omissions in discharging its obligations under this Agreement.

The foregoing provisions of this Section 19 shall survive any termination of this Agreement.

20. **Liability of Each Partner to Other Partners.** Notwithstanding anything to the contrary hereunder, no Partner shall have any liability or obligation to the other Partners or the Partnership for any decision made or action taken in connection with the discharge of its duties hereunder or when otherwise acting on behalf of the Partnership unless such decision or action resulted from fraud, gross negligence, willful misconduct, or an intentional, material breach of this Agreement.

21. **Dissolution and Winding Up.** The Partnership shall continue in full force and effect until the expiration of the Term, except that the Partnership shall be dissolved prior thereto upon the occurrence of any of the following events:
22 Actions of Liquidating Agent Upon Dissolution. Upon the dissolution of the Partnership, the Partnership shall be liquidated in accordance with this Section, the Act, and other applicable laws of the State of California. The liquidation shall be conducted and supervised by the Administrative General Partner or, if there is no remaining general partner, by a Person who shall be designated for such purpose by the Limited Partner (the Administrative General Partner, or such Person so designated, being hereinafter referred to as the "Liquidating Agent"). The Liquidating Agent shall have all of the rights in connection with the liquidation and termination of the Partnership that a General Partner would have with respect to the assets and liabilities of the Partnership during the term of the Partnership, and the Liquidating Agent is expressly authorized and empowered to effectuate the liquidation and termination of the Partnership and the transfer of any assets and liabilities of the Partnership. The Liquidating Agent shall, to the extent feasible, liquidate the assets of the Partnership as promptly as shall be practicable. To the extent the proceeds are sufficient therefor, as the Liquidating Agent shall deem appropriate, the proceeds of such liquidation shall be applied to pay the liabilities of the Partnership, and the balance of such proceeds shall be distributed by the Liquidating Agent to the Partners pro rata in accordance with their respective capital accounts, as such accounts are determined after all adjustments are made as required in this Agreement to such accounts for the taxable year of the Partnership during which the liquidation occurs. If, in the sole discretion of the Liquidating Agent, it shall determine that it is not feasible to liquidate all or part of the assets of the Partnership or that an immediate sale of all or part of such assets would cause an undue loss to the Partners, the Liquidating Agent shall cause the fair market value of the assets not so liquidated to be determined by independent appraisal. Such assets shall then be distributed by the Liquidating Agent in such manner as to satisfy the provisions of the second immediately preceding sentence. Any distribution of assets in kind shall be distributed on the basis of the fair market value thereof and any Partner entitled to any interest in such assets shall receive such Interest therein as a tenant-in-common with all other Partners so entitled.

23. Miscellaneous.

(a) Notices. Any notices, requests, demands, documents approvals or disapprovals given or sent under this Agreement from one Partner to another (each a "Notice" and collectively, the
"Notices") shall be given to the Partner entitled thereto at its address set forth below or at such other address as such Partner may provide to the other Partner in writing. Any such Notice may be given (i) by personal delivery which will be deemed received on the day of delivery; (ii) by national overnight delivery service which shall be deemed received the following day; (iii) by mailing the same by registered or certified US mail, return receipt requested which will be deemed delivered three (3) days after depositing same in the mail, addressed to the Partner to whom the Notice is directed as set forth below; or (iv) electronic mail so long as Notice is also provided simultaneously pursuant to one of the above described provisions for hard-copy Notice. Notices shall be addressed to the Partners as follows, or at such other address as may be designated by written notice from one Partner to the other:

To the MGP: PHK SUP8 LLC
7843 Lankershim Blvd.
North Hollywood, CA 91605
Attn: Stephanie Klasky-Gamer

To the AGP: Los Angeles LOMOD South, Inc.
2600 Wilshire Blvd., 4th Fl.
Los Angeles CA 90057
Attn: Tina Smith-Booth, President

With Copies to: James Johnson, General Counsel of HACLA
2600 Wilshire Blvd., 3rd Fl.
Los Angeles CA 90057

Aleshire & Wynder LLP
18881 Von Karman Ave., Suite 1700
Irvine, California 92612
Attn: Adrian Guerra

To the Limited Partner: La Cienega LOMOD, Inc.
2600 Wilshire Blvd., 4th Fl.
Los Angeles CA 90057
Attn: Tina Smith-Booth, President

(b) Governing Law. This Agreement shall be governed by and construed under the laws of the State of California (without regard to conflict of laws principles), all rights and remedies being governed by said laws. In the event of any judicial action, venue shall be in the Superior Court of Los Angeles County. All provisions of the Act, as amended, shall be deemed to be superseded by the express terms of this Agreement to the extent necessary to effectuate the intent of the Partners as reflected by this Agreement.

(c) Dispute Resolution. The Partners hereby agree that, in the event of any dispute between the Partners relating to this Agreement, the Partners shall first seek to resolve the dispute through informal discussions. In the event any dispute cannot be resolved informally within sixty (60) days, the Partners agree that the dispute will be negotiated between the Partners through mediation in accordance with the rules of the American Arbitration Association currently in effect, unless the parties mutually agree otherwise. Demand for mediation shall be filed in writing with the Partners to this Agreement and with the American Arbitration Association (and the mediator shall be selected by the
Judicial Arbitration and Mediation Services, Inc. ("JAMS"). A demand for mediation shall be made within a reasonable time after the claim, dispute, or other matter in has arisen. In no event shall the demand for mediation be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations. The costs of the mediation shall be shared equally between the Partners.

(d) **Entire Agreement.** This Agreement contains the sole and entire agreement of the Partners with respect to the subject matter described herein.

(e) **Binding Agreement; Successors and Assigns.** Notwithstanding any other provision of this Agreement, the Partners agree that this Agreement constitutes a legal, valid and binding agreement of the Partners, and is enforceable against each of the Partners in accordance with its terms. The covenants and agreements herein contained shall inure to the benefit of and be binding upon the parties to this Agreement and their respective personal representatives, successors in interest and permitted assigns.

(f) **Captions.** Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provisions set forth in this Agreement.

(g) **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same document. The signature of any Partner to this Agreement transmitted to any other Partner by facsimile or e-mail (PDF copy) shall be deemed an original signature of the transmitting Partner.

(h) **Parties in Interest.** Nothing herein shall be construed to be to the benefit of or enforceable by any third party, including, but not limited to, any creditor of the Partnership or any Partner. Nothing in this Agreement shall be deemed to create any right in any Person (other than Covered Persons) not a Partner hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person (other than a Covered Person).

(i) **Amendments.** This Agreement may be amended pursuant to a written agreement executed by both General Partners. Notwithstanding the foregoing, no amendment that increases any Partner’s obligations under this Agreement or under the Act shall be effective without such Partner’s consent.

(j) **Further Assurances.** The Partners will execute and deliver such further Instruments and do such further acts and things as may be required to carry out the intent and purposes of this Agreement.

(k) **Attorneys’ Fees.** Should any Partner incur attorneys’ fees or court costs in seeking the enforcement of this Agreement, whether or not a final court judgment is entered, each Partner shall bear their own costs and expenses incurred in such legal proceeding, including attorneys’ fees, court costs and expenses and consultant and expert witness fees and expenses.

(l) **Authority of Persons Executing Agreement.** Each individual executing this Agreement on behalf of a Partner represents, warrants and covenants to the other Partner that (a) such Partner is duly formed and authorized to do business in the State of California, (b) such Person is duly
authorized to execute and deliver this Agreement on behalf of such Partner in accordance with the terms and conditions under the organizational documents of such entity, and (c) such Partner is bound under the terms of this Agreement.

(m) **Schedules and Recitals Incorporated.** The Recitals set forth above and Schedules A and B attached hereto are incorporated herein by this reference.

[Signature Page Follows]
IN WITNESS WHEREOF, the Partners hereto have executed this Agreement as of the Effective Date.

ADMINISTRATIVE GENERAL PARTNER:

LOS ANGELES LOMOD SOUTH, INC.,
a California nonprofit public benefit corporation

By: 
Name: Tina Smith-Booth
Title: President

APPROVED AS TO FORM:

ALESHIRE & WYNDER LLP

By: 
Name: Danny Aleshire
Title: Legal Counsel for Administrative General Partner

MANAGING GENERAL PARTNER:

PHK SUP8 LLC, a California limited liability company

By: L.A. Family Housing Corporation,
a California nonprofit public benefit corporation,
its manager

By: 
Name: Stephanie Klasky-Gamer
Title: President and Chief Executive Officer

LIMITED PARTNER:

LA CIENEGA LOMOD, INC., a California nonprofit public benefit corporation

By: 
Name: Tina Smith-Booth
Title: President
SCHEDULE A

DEFINITIONS

A. Definitions

When used in this Agreement, the following terms not otherwise defined herein have the following meanings:

"Bankruptcy" means, with respect to any Person, if such Person (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or Insolvency proceedings, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (vii) if 120 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, if the proceeding has not been dismissed, or if within 90 days after the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated.

"Basic Documents" means the Homekey Documents, the Master Lease, the Ground Lease (to the extent in effect), the Loan Documents, the Grant Agreement, the HAP Contract, the Management Documents, and all documents and certificates contemplated thereby or delivered in connection therewith.

"Budget" shall mean the initial Budget approved by both General Partners, as the same may be modified or amended from time to time with the mutual written approval of both Partners.

"Capital Reserve" means a capital reserve account established by the General Partners for the Partnership to pay the costs of major capital expenses of the Project, which shall be funded in the amount of $3,000 per unit, or such other amount as may be required by a Lender.

"Capital Transaction" means any transaction out of the ordinary course of the business of the Partnership including, without limitation, the sale or other disposition of all or any substantial portion of the assets of the Partnership (the proceeds of which have not been taken into account in connection with funding any expenditures included in the Budget) and any refinancing of any Loan, insurance or condemnation proceeds (other than business interruption or similar type of insurance or condemnation proceeds which cover a temporary taking of all or any portion of the Project), after such proceeds are applied to the rebuilding, repair or replacement of the Projects (as may be applicable), but excluding the payment of capital contributions by the Partners.

"CPI" means the local Consumer Price Index for all urban consumers in the Los Angeles-Long Beach Metropolitan area as published by the United States Government Bureau of Labor Statistics, rounded to the nearest dollar.
"Developer Fee" means the fee due to the General Partners, in an amount mutually agreed to both General Partners.

"Guaranty" means the guaranty agreement executed by the Limited Partner or HACLA in favor of a Lender (and/or any amendments, modifications or restatements thereof).

"HAP Contract" means the Rental Assistance Demonstration (RAD) PBV Housing Assistance Payments Contract by and between HACLA and the Partnership with respect to up to fifty-one (51) residential units commencing immediately upon completion of rehabilitation of the Phase I Project and inspection of the units for a term of not less than twenty (20) years.

"Homekey Documents" means the Notice of Funding Availability ("NOFA") for the Homekey Program dated July 16, 2020, the Standard Agreement, and all other documents specified under or required by the Homekey Program, including, without limitation, the expenditure and program reporting, affordability covenant, and supportive services plan.

"Homekey Program" means the program authorized pursuant to AB 83 (2019-2020) by the State of California intended to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) and who are impacted by the COVID-19 pandemic, which authorized a program administered by HCD to provide up to $600 million in grant funding available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing.

"Lender" means the Initial Lender, and any new, substitute, or additional lender under any of the Loan Documents.

"Loan(s)" means the Homekey Loan from the Initial Lender, new, substitute or additional loans received for acquisition, construction, and/or rehabilitation of the Property.

"Loan Documents" means the documents, instruments and agreements evidencing, securing, or otherwise pertaining to the Loan from Lender (or any replacements, amendments, or substitutes thereof).

"Net Cash Flow" for any period means the sum of (i) all cash received by the Partnership from rents, rental subsidies, lease payments and all other sources of the Project, but excluding (A) tenant security or other deposits (unless forfeited), (B) capital contributions by either Partner to the Partnership (and interest thereon), (C) proceeds from Capital Transactions, (D) proceeds of any Partnership borrowings, and (E) interest on reserves not available for distribution, (ii) the net proceeds of any insurance (including rental interruption insurance), other than fire and extended coverage and title insurance, to the extent not reinvested or applied to repair and restoration of the improvements, (iii) withdrawals from the Reserves, and (iv) any other funds deemed available for distribution by the General Partners, less the sum of (x) all cash expenditures of the Project, including, without limitation, payments / rent due under the Ground Lease to HACLA (unless paid from a capital source identified in (A) through (E) above to the extent that such expenditures are reflected on the sources and uses of funds or the Partners otherwise mutually agree), and all expenses unpaid but properly accrued, which have been incurred in the operation of the Partnership's business, excluding expenditures paid from any Reserve account (whether or not such expenditure is
deducted, amortized or capitalized for tax purposes), excluding the Asset Management Fee and Developer Fee, but including the management fees due to the Manager and the resident services fee paid to the Service Provider under the MOU (to the extent actually paid), (y) all payments required on account of any Loans (including unpaid principal and accrued interest and tax or insurance escrow payments, if applicable), (z) any deposits of cash to Reserves in excess of the Reserve Sufficiency Amount to the extent such amounts are determined from time to time by the General Partners to be advisable for the operation of the Partnership, in each case for such period. Net Cash Flow shall be determined separately for each taxable year or portion thereof and shall not be cumulative.

"Operating Reserve" means an operating reserve account established by the General Partners for the Partnership to pay the costs of operating expenses of the Project, which shall be funded in the amount of $2,500 per unit or such other amount as may be required by the Lender.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, limited partnership, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

"Reserves" means the Capital Reserve and the Operating Reserve.

B. Rules of Construction

Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. The words "include" and "including" shall be deemed to be followed by the phrase "without limitation." The terms "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph or subdivision. The Section titles appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All Section, paragraph, clause or Schedule references not attributed to a particular document shall be references to such parts of this Agreement.
SCHEDULE B

PROJECT DESCRIPTION

PHASE I: CONVERSION OF THE MOTEL PROPERTY

Partnership will act as developer and long-term owner for the conversion of the Motel Property from a 52-room motel and accessory office to a permanent supportive housing development with up to 51 rental units with kitchenettes and one (1) manager’s unit. The redevelopment will provide flexibility to reconfigure and remove up to one (1) room to create offices and common area space for programs, management and services. The conversion activities will include improvements to the outdoor areas, including filling in the pool and spa to create common outdoor space; reconfiguration of the parking lot as necessary to accommodate open space, deliveries and ADA parking; creation of a laundry facility on site, improved maintenance areas and removal of signage. The redevelopment will include upgrading electrical and plumbing systems, lead and asbestos abatement, and adapting 10% of the rooms to ensure physical accessibility under ADA and 4% of the rooms for hearing/sight impaired. The Motel Property will serve households at or below 50% AMI for at least fifty-five years and the Partnership will contract for management and services to fulfill requirements under Section 8 and the Homekey Program.

PHASE II: DEMOLITION/REDEVELOPMENT OF THE RESTAURANT PROPERTY

Partnership is formed to plan for and implement the redevelopment of the Restaurant Property as a new in-fill affordable housing project (“Restaurant Project”). The Partnership will engage in the necessary studies, architectural and engineering, entitlements and permits necessary to undertake the redevelopment of the property to serve the City of Los Angeles’ need for greater affordable housing options. The Partnership is responsible for developing a financing plan and pursuing competitive or non-competitive sources of funding for a rehabilitation or new construction Restaurant Project; engaging a general contractor to complete the work; and develop the ownership and management structure and partnerships required to best serve the Restaurant Project.
ATTACHMENT 3
INTERIM LEASE AGREEMENT
LEASE AGREEMENT

THIS LEASE AGREEMENT ("Agreement") is made as of May 17, 2021 ("Effective Date"), by and between the Housing Authority of the City of Los Angeles, a public body, corporate and politic ("Lessor" or "HACLA"), and Topanga Canyon Housing Partners, L.P., a California limited partnership ("Lessee" or the "Partnership"). Lessor and Lessee are sometimes hereinafter referred to collectively as the "Parties" or individually as a "Party."

RECITALS

A. HACLA was created, established, and authorized to transact business and exercise powers under and pursuant to the provisions of the Housing Authorities Law of the State of California (consisting of Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code ("HSC"), for the purposes of facilitating the administration and expansion of safe and affordable housing for constituents within the City of Los Angeles. HACLA is governed by its Board of Commissioners (the "Board"). Pursuant to Resolution No. 9653 approved by the Board on October 29, 2020 (the "Resolution"), HACLA has acquired that certain real property located at 7625 Topanga Canyon Boulevard and 7631 Topanga Canyon Boulevard, in the City of Los Angeles, County of Los Angeles, State of California, further identified as Assessor’s Parcel Numbers 2012-002-024 and 2012-002-020 (collectively, "Property"). The Property consists of two parcels of land, one of which is comprised of, among other things, a hotel facility known as the Super 8 by Wyndham containing fifty two (52) guest rooms (the "Hotel Property"), and the other of which consists of a facility containing a restaurant (the "Restaurant Property").

B. HACLA and Lessee are entering into this Agreement for the limited purpose of leasing the Property to the Partnership ("Lease") on a short-term basis in order to enable the Partnership to operate the Hotel Property as interim affordable and supportive housing serving those experiencing homelessness or at risk of experiencing homelessness (as such terms are defined in Part 578.3 of Title 24 of the Code of Federal Regulations), and who are impacted by the COVID-19 pandemic, all in accordance with the State of California’s Homekey Program (Assembly Bill No. 83 (2019-2020 Reg. Sees.) which created the statutory basis for the Homekey Program in California by adding section 50675.1.1 to the Health and Safety Code) (the "Project"). It is the intent of the Parties that the Partnership will so operate the Hotel Property on an interim basis during which time the Partnership will formulate a plan to convert, rehabilitate, develop, finance and operate the Hotel Property as permanent affordable and supportive housing in accordance with the Homekey Program (the “Partnership’s Homekey Hotel Plan”), and that the Partnership will formulate a plan for the financing and operation of the Restaurant Property as a restaurant which is not required to comply with the Homekey Program (the “Partnership’s Restaurant Plan”), both of which will be approved by HACLA, whereupon the Partnership will be in a position to exercise the option or options set forth in this Agreement to enter into a long-term (67 year) ground lease of the Property with HACLA ("Ground Lease"). The Partnership’s Homekey Hotel Plan and the Partnership’s Restaurant Plan may be submitted separately and at different times.

C. HACLA has purchased the Property with funds ("Homekey Funds") received from the federal Coronavirus Aid Relief Funds and/or California’s General Fund allocated to and administered by the California Department of Housing and Community Development ("HCD") via the Homekey Program, as described in the Notice of Funding Availability dated July 16, 2020 (the “Homekey NOFA”), as well as its own funds. Pursuant to the Homekey Program (defined below),
the Partnership has executed a certain Agreement Containing Covenants Affecting Real Property ("Agreement Containing Covenants"), which has been duly recorded in the office of the Recorder of Los Angeles County, California, and which is an encumbrance on and against the fee simple estate and any leasehold estate in the Property. The Agreement Containing Covenants sets forth restrictions and covenants imposed by the Homekey Documents (as hereinafter defined) for the Project. The terms of the Agreement Containing Covenants are incorporated herein by this reference. For the purposes hereof, the term, (i) "Homekey Program" means the program authorized pursuant to AB 83 (2019-2020) by the State of California intended to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) and who are impacted by the COVID-19 pandemic, which authorized a program administered by HCD to provide up to $600 million in grant funding available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing; and (ii) "Homekey Documents" means the Resolution, the NOFA, the Agreement Containing Covenants, the Standard Agreement (and the exhibits included therein) (as shown attached hereto as Exhibit A), and all other documents specified under or required by the Homekey Program, including, without limitation, all guidelines, the expenditure and program reporting, Declaration of Restrictive Covenants, and supportive services plan.

D. The Partnership consists of a limited partnership comprised of, among others, (i) PHK Super8 LLC, a California limited liability company, as the Managing General Partner, and (ii) Los Angeles LOMOD South, Inc., a California nonprofit public benefit corporation ("LOMOD"), as the Administrative General Partner, which is an instrumentality of HACLA.

E. The Partnership and HACLA now wish to enter into this Agreement whereby HACLA, as Lessor, will lease the Property to the Partnership, as Lessee, for the purposes set forth above and subject to the terms and conditions set forth in this Agreement.

NOW THEREFORE, IN CONSIDERATION OF the aforesaid Recitals and of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. LEASE TRANSACTION

1.1 Incorporation of Recitals and Lease of Property. The Parties acknowledge and agree that the Recitals are true and correct in every respect, and that the Recitals are hereby incorporated into this Agreement as though herein fully and completely rewritten. HACLA hereby leases the Property to the Partnership for the limited purposes set forth in Recital “B” above and otherwise subject to and in accordance with the terms and conditions of this Agreement, and the Partnership hereby leases the Property from HACLA for the limited purposes set forth in Recital “B” above and otherwise subject to and in accordance with the terms and conditions of this Agreement. PARTNERSHIP SPECIFICALLY ACKNOWLEDGES AND AGREES THAT HACLA IS LEASING TO THE PARTNERSHIP AND THE PARTNERSHIP IS LEASING FROM HACLA THE PROPERTY ON AN “AS IS-WHERE IS-AND WITH ALL FAULTS” BASIS, AND THAT THE PARTNERSHIP IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM HACLA.
1.2 **Lease Fee.** The Partnership shall pay a monthly fee to HACLA during the Lease Term (as hereinafter defined) in an amount equal to the gross income derived from the operation of the Project including, without limitation, all rent paid for the use of all or any part of the Restaurant Property and the Hotel Property, and all other income in money or equivalent, cash or credit, received by Lessee from Project operations, minus reasonable and pre-approved expenses incurred by Lessee in the operation of the Project in the ordinary course of business. Lessee shall submit an operating budget for operation of the Hotel Property and the Restaurant Property to HACLA on or before the Commencement Date (as hereinafter defined), and on or before each anniversary of the Commencement Date thereafter during the Lease Term, setting forth the estimated operating income and operating expenses for the ensuing year. Lessee may from time to time revise any operating budget submitted by Lessee to HACLA to account for changes in circumstances. Any increases in operating expenses in excess of 5% must be approved by HACLA in writing to be deductible from gross income for the purpose of computing the Lease Fee payable pursuant hereto.

1.3 **Lease Term.** The lease term ("Lease Term") will commence on the date that the Property is delivered by HACLA to the Partnership ("Commencement Date"), and shall expire on the date which is two (2) calendar years after the Commencement Date ("Expiration Date"), unless sooner terminated by exercise of the Option or Options (as hereinafter defined) or otherwise pursuant to the terms hereof. HACLA may, in the exercise of its sole and absolute discretion, enter into an amendment of this Agreement extending the Lease Term for up to two (2) one-year extensions upon the written request of the Partnership and for good cause shown.

1.4 **Representations and Warranties.** The Partnership represents and warrants to HACLA as follows: (a) the Partnership shall at all times during the Lease Term hold and operate the Hotel Property in compliance with the Homekey Program and the Homekey Documents, while the Restaurant Property will be operated as a restaurant and is not required to comply with the Homekey Program; (b) this Agreement and all documents executed by Partnership which are or are to be delivered to HACLA and which are concerned with the operation of the Hotel Property do not and at any time during the Lease Term will not violate any provision of the Homekey Program or the Agreement Containing Covenants or the other Homekey Documents or any other agreement or judicial order to which Partnership is a party or to which Partnership is subject; (c) the Partnership has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of any involuntary petition by Partnership’s creditors, (iii) suffered the appointment of a receiver to take possession of all, or substantially all, of Partnership’s assets, (iv) suffered the attachment or other judicial seizure of all, or substantially all, of Partnership’s assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an offer of settlement, extension or composition to its creditors generally; (d) the Partnership has been duly organized, is validly existing and is in good standing under the laws of the State of California, with full right, power and authority to enter into this Agreement and perform its obligations hereunder; and (e) this Agreement has been, and all documents executed by Partnership which are to be delivered to HACLA will be, duly authorized, executed and delivered by the Partnership.

2. **OPTIONS TO GROUND LEASE.**

2.1 **Options.** HACLA hereby grants to the Partnership the following options: (a) an option to ground lease the land component of the Hotel Property on a long term basis, and to purchase the improvements and personal property components of the Hotel Property ("Hotel Property Option") for an amount equal to the greater of (i) the appraised value of the Hotel Property
as established by an appraisal issued after receipt of the Partnership’s notice of exercise of the Hotel Property Option, or (ii) the amount of NINE MILLION TWO HUNDRED TWENTY EIGHT THOUSAND FOUR HUNDRED THIRTY EIGHT DOLLARS ($9,228,438.00); and (b) an option to ground lease the land component of the Restaurant Property on a long term basis, and to purchase the improvements and personal property components of the Restaurant Property (“Restaurant Property Option”) for an amount equal to the greater of (i) the appraised value of the Restaurant Property as established by an appraisal issued after receipt of the Partnership’s notice of exercise of the Restaurant Property Option, or (ii) the amount of ONE MILLION EIGHT HUNDRED NINETY THOUSAND ONE HUNDRED SIXTY TWO DOLLARS ($1,890,162.00) (the “Restaurant Property Purchase Price”). The Hotel Property Option and the Restaurant Property Option are sometimes herein referred to collectively as the “Options” or individually as an “Option.” The Options may be exercised simultaneously or at different times, and otherwise in accordance with and subject to the terms and conditions of this Agreement. If the Hotel Property Option is exercised and the Restaurant Property Option is not exercised, then this Lease shall be terminated with respect to the Hotel Property but this Lease shall continue with respect to the Restaurant Property. If the Restaurant Property Option is exercised and the Hotel Property Option is not exercised, then this Lease shall be terminated with respect to the Restaurant Property but this Lease shall continue with respect to the Hotel Property. In the event that either or both of the Options is or are exercised, the Parties intend to enter into a formal long term ground lease or ground leases of the Hotel Property and/or the Restaurant Property consistent with the terms of this Agreement, and containing such other terms and conditions as are mutually negotiated by the Parties and are reasonable and appropriate to effectuate the purposes of this Agreement (“Ground Lease”). Any such Ground Lease shall be subject to the approval of the Board which may be given or withheld in the sole and absolute discretion of the Board. The term of the Options shall commence on the Commencement Date and shall expire (unless earlier terminated pursuant to this Agreement) on the Expiration Date (the “Option Period”). Upon execution and delivery of this Agreement by the Partnership to HACLA, the Partnership shall pay to HACLA the amount of One Hundred Dollars ($100.00) (the “Option Fee”) as separate consideration for the Options. The exercise of the Options granted hereunder by the Partnership shall be contingent on satisfaction of the following conditions precedent: (i) the timely submission of the Partnership’s Homekey Hotel Plan and/or the Partnership’s Restaurant Plan as described in Recital “B” of this Agreement and the approval of any such plan or plans by the Board, which approval shall be given or withheld in Board’s sole and absolute discretion; (ii) the operation of the Project with respect to the Hotel Property as interim affordable and supportive housing by the Partnership in compliance with the Homekey Program and the Homekey Documents at all times during the Option Period; (iii) the execution and delivery of the Hotel Property Ground Lease and/or the Restaurant Property Ground Lease by the Parties; and (iv) all of the Partnership’s representations and warranties in this Agreement being true and correct at all times during the Option Period. If any of such conditions precedent have not been satisfied, neither of the Options shall be exercisable by the Partnership. Unless exercised prior thereto, the Options or the remaining Option, as the case may be, shall automatically terminate upon the occurrence of any of the following events: (i) the Expiration Date; (ii) the filing of a voluntary or involuntary petition in bankruptcy naming the Partnership as the debtor therein; (iii) the Partnership makes an assignment of all or substantially all of its assets for the benefit of its creditor(s); or (iv) the Partnership continues to be in default under any of the terms and provisions of the Homekey Documents beyond any required notice and time to cure. Either of the Options may be exercised by the Partnership by giving written notice of its intent to exercise an Option to HACLA during the Option Period in compliance with the notice requirements set forth in this Agreement (the “Option Exercise Notice”). Any such Option Exercise Notice may be given at any time during the Option Period. the form of the Option Exercise Notice is attached hereto as Exhibit
“C.”

3. RIGHTS AND OBLIGATIONS WITH RESPECT TO THE PROPERTY.

3.1 Title; Quiet Enjoyment. During the Lease Term, provided there does not exist a Termination Event or an Event of Default (as defined in Section 6.1 below), and except as expressly set forth elsewhere in this Agreement, Lessee will peaceably and quietly have, hold and enjoy the Property subject thereto, without suit, trouble or hindrance from Lessor.

3.2 Uses. Lessee shall use the Hotel Property solely for the purposes stated in Recital B of this Agreement and in Section 301 of the NOFA and for no other purposes. Lessee shall use the Restaurant Property as a restaurant for commercial purposes only; provided, however, if the restaurant ceases operations, the Restaurant Property may be used as storage or as community space for the Hotel Property. This is a special purpose Lease, and any use of the Property in contravention of the required uses shall constitute the automatic termination of this Agreement and all rights of the Partnership hereunder without notice or time to cure. The Partnership shall not use the Property in any manner that constitutes a nuisance or trespass or a violation of any applicable laws or restrictive covenants of record including, without limitation, the Declaration of Restrictive Covenants.

3.3 Personal Property. Personal property (“Personal Property”) located at each Property is and will remain personal property belonging to Lessor although it may be used by Lessee solely for the purpose of meeting contractual obligations of this Lease. Lessee is obligated to repair or replace any and all Personal Property which becomes damaged or destroyed in the course of their use of such Personal Property when such Personal Property should be repaired or replaced if reasonably required to maintain the proper and efficient operation of the Project; provided, however, that Lessee shall not be liable for minor damage such as scratches, scruffs, stains and dents resulting from normal wear and tear. Lessee shall not be required to repair or replace Personal Property which becomes unusable due to normal wear and tear if such Personal Property is not reasonably required to maintain the proper and efficient operation of the Project. A full accounting of any destruction or replacement of Personal Property shall be provided to Lessor ten (10) days prior to Lease Termination. See Exhibit A attached hereto for a Schedule of Personal Property for the Property which belongs to Lessor, pursuant to the Purchase Agreement.

3.4 Maintenance; Alterations; Operations; Security.

3.4.1 Maintenance; Utilities
At all times during the Lease Term, with respect to the Property, Lessee will, at Lessee’s own cost and expense, maintain, preserve, and keep the Property in good working order and condition, and will make or cause to be made all necessary and proper repairs and replacements subject to the qualifications below, and renewals to the Property, which will become part of the Property. All such alterations, additions, modifications or improvements will thereafter comprise part of the Property and will be subject to the terms and conditions of this Agreement. During the Lease Term, Lessee will, at its own expense, make such replacements, alterations, additions, modifications and improvements to the applicable Property as may be required from time to time by applicable law, at the request of HACLA or the County under the Homekey Program or by any governmental authority, where the cost of same does not exceed Ten
Thousand Dollars ($10,000).

In addition, at all times during the Lease Term, Lessee shall maintain all utilities in its name and shall be responsible for all utility payments for the Property pursuant to Section 3.4.4 below.

3.4.2 Repairs

Lessee shall, at its cost, maintain the Property in a clean, graffiti-free, safe, professional, and operable condition, and shall not permit or allow any waste or damage to remain on any portion of the Property. Lessee shall repair or replace, at its cost and subject to Lessor’s direction and supervision, any damage to any portion of the Property caused by Lessee or Lessee’s use of the Property. If Lessee fails to make such repairs or replacements within 30 days after the occurrence of such damage caused by Lessee, then Lessor may, at its discretion, make the same at Lessee’s cost. If any such damage occurs outside of the Property, then Lessor may elect to repair such damage at Lessee’s expense, rather than having Lessee repair such damage. The cost of all maintenance, repair or replacement work performed by Lessor under this section shall be paid by Lessee to Lessor within 30 days after Lessor has invoiced Lessee therefore. Lessee hereby waives and releases its right to make repairs at Lessor’s expense under Sections 1941 and 1942 of the California Civil Code or under any similar law, statute or ordinance now or hereafter in effect.

3.4.3 Alterations.

No alterations or additions to any portion of the Property (including signs, temporary or permanent) shall be made by Lessee without first obtaining the written approval of the Lessor and any applicable governmental agency, as may be required. Upon approval of any improvements or alterations, the alterations/improvements to the Property shall be performed at Lessee’s sole expense and only in accordance with plans and specifications which have been previously submitted to and approved in writing by Lessor. All alterations and additions shall be constructed, maintained, and used by Lessee, at its sole risk and expense, in accordance with all laws. Lessor’s consent to or approval of any alterations or additions (or the plans therefore) shall not constitute a representation or warranty by Lessor, nor Lessor’s acceptance, that the same comply with sound architectural and/or engineering practices or with all applicable laws and permits. Lessee shall be solely responsible for ensuring all such compliance.

3.4.4 Operating Costs.

Except for the Grant (as defined below), Lessee shall be solely responsible for payment of all “Operating Costs” and expenses associated with operation and maintenance of the Property, and shall keep such utility expenses in Lessee’s name, including but not limited to: utilities (electric, water, gas, telephones, etc.), maintenance of fence(s)/gates, trimming of trees and shrubs, watering and/or maintenance of lawn, trees, shrubs, landscaping features, parking area, pavement, all plumbing, electrical, painting for the interior and exterior of the Property, roof, windows, heating/ventilation/air conditions (HVAC), etc. The term “Operating Costs” shall mean all expenses and disbursements
that Lessee incurs in connection with the use, operation, and maintenance of the Property, including the following costs: (1) wages and salaries of any employee of Lessee or hired contractor (whether paid directly or through a management company) for any engagement in the operation, maintenance or security of the Property, including insurance, supplies and materials used in the operation, maintenance, repair, replacement, and security of the Property; (2) costs for improvements made to the Property which, although capital in nature, are expected to reduce the normal operating costs (including all utility costs) of the Property; (3) cost of all utilities; (4) insurance expenses for the insurance coverages required by this Lease and subject to the waiver in writing by HACLA of any such insurance expenses; (5) repairs, replacements, and general maintenance of the Property; (6) service, maintenance and management contracts with independent contractors for the operation, maintenance, management, repair, replacement, or security of the Property (including alarm service and window cleaning). The Parties have or will enter into a certain Grant Agreement whereby HACLA will contribute to the Partnership the amount of Three Hundred Six Thousand Dollars ($306,000.00) to facilitate converting, rehabilitating and operating the Project in accordance with the Homekey Documents (the “Grant”).

3.4.5 Permits and Licenses

Lessee, during the term of this Agreement, shall possess all applicable permits, licenses, and authorization required by law to conduct its current business at the Property. Upon Lessor’s request, Lessee shall provide evidence of such permits and licenses.

3.4.6 Performance of Work.

Any maintenance or other repairs required to maintain the Property shall be performed only by contractors and subcontractors duly licensed, bonded and in good standing under the laws of the State of California. Lessee agrees to provide a list of all contractors, subcontractors and consultants in addition to all Lessee third party contracts at Lessor’s request. All such contracts must terminate prior to the expiration terms of this Agreement or be co-terminus with this Agreement. Lessee shall cause all contractors and subcontractors to procure and maintain insurance coverage naming Lessor as additional insureds against such risks, in such amounts, and with such companies as Lessor may reasonably require. Lessee shall provide Lessor with the identities, mailing addresses and telephone numbers of all persons performing work or supplying materials prior to beginning such construction and Lessor may post on and about the Property notices of non-responsibility pursuant to applicable laws. All such work shall be performed in accordance with all laws and in a good and workmanlike manner so as not to damage the Property. Lessee is responsible for all of its contractors, subcontractors and consultants and their work and all such work which may affect improvements on the Property must be approved by the Lessor.

3.4.7 Mechanic’s Liens

All work performed, materials furnished, or obligations incurred by or at the request Lessee shall be deemed authorized and ordered by Lessee only, and Lessee shall not permit any mechanic’s liens to be filed against the Property in connection therewith. Upon completion of any such work, Lessee shall deliver to Lessor final lien waivers from
all contractors, subcontractors and materialmen who performed such work. If such a lien is filed, then Lessee shall, within ten days after Lessor has delivered notice of the filing thereof to Lessee (or such earlier time period as may be necessary to prevent the forfeiture of the Property, or any interest of Lessor therein or the imposition of a civil or criminal fine with respect thereto), either (1) pay the amount of the lien and cause the lien to be released of record, or (2) diligently contest such lien and deliver to Lessor a bond or other security reasonably satisfactory to Lessor. If Lessee fails to timely take either such action, then Lessor may pay the lien claim, and any amounts so paid, including expenses and interest, shall be paid by Lessee to Lessor within ten days after Lessor has invoiced Lessee therefore. Lessor and Lessee acknowledge and agree that their relationship is and shall be solely that of “Lessor-Lessee” (thereby excluding a relationship of “owner-contractor,” “owner-agent” or other similar relationships). Accordingly, all materialmen, contractors, artisans, mechanics, laborers and any other persons now or hereafter contracting with Lessee, any contractor or subcontractor of Lessee for the furnishing of any labor, services, materials, supplies or equipment with respect to any portion of the Property, at any time from the date hereof until the end of the Lease Term, are hereby charged with notice that they look exclusively to Lessee to obtain payment for same. Nothing herein shall be deemed a consent by Lessor to any liens being placed upon the Property or Lessor’s interest therein due to any work performed by or for Lessee or deemed to give any contractor or subcontractor or materialman any right or interest in any funds held by Lessor to reimburse Lessee for any portion of the cost of such work. Lessee shall defend, indemnify and hold harmless Lessor and its agents and representatives from and against all claims, demands, causes of action, suits, judgments, damages and expenses (including attorneys’ fees) in any way arising from or relating to the failure by Lessee to pay for any work performed, materials furnished, or obligations incurred by or at the request of Lessee. This indemnity provision shall survive termination or expiration of this Agreement.

3.4.8 Security

Lessee shall at all times procure, maintain and pay for adequate professional security services at the Property at a level and pursuant to a schedule submitted by Lessee upon initiation of this Agreement and approved by the Lessor.

4. INSURANCE; WAIVERS; NO SUBROGATION.

4.1 Lessee’s Insurance. Effective as of the earlier of (1) the date Lessee enters or occupies the Property pursuant to this Agreement, or (2) the Commencement Date, and continuing throughout the Term, Lessee shall maintain the following insurance policies and coverage:

(a) Commercial general liability insurance in amounts of $1,000,000 per occurrence for bodily injury, personal injury and property damage including a minimum of $50,000 Fire Legal Liability Supplemental or, following the expiration of the initial Term, such other amounts as the Lessor may from time to time reasonably require (and, if the use and occupancy of the Property includes any activity or matter that is or may be excluded from coverage under a commercial general liability policy, Lessee shall obtain
such endorsements to the commercial general liability policy or otherwise obtain insurance to insure all liability arising from such activity or matter in such amounts as the Lessor may reasonably require), insuring Lessee, Lessor and their respective agents, affiliates, successors and assigns against all liability for injury to or death of a person or persons or damage to Property arising from the use and occupancy of the Property and (without implying any consent by Lessor to the installation thereof) the installation, operation, maintenance, repair or removal of Lessee’s Equipment;

(b) Insurance covering the full value of all alterations and improvements and betterments in the Property, if any, naming Lessor as additional loss payees as their interests may appear;

(c) Insurance covering the full value of all furniture, trade fixtures and personal property (including property of Lessee or others) in the Property;

(d) Contractual liability insurance sufficient to cover Lessee’s indemnity obligations hereunder (but only if such contractual liability insurance is not already included in Lessee’s commercial general liability insurance policy), and

(e) Statutory Worker’s compensation insurance. As required by the California Labor Code, and Employers Liability with limits not less than $1,000,000 per occurrence. Licensee shall provide evidence of Workers’ Compensation Insurance or a copy of Consent to Self-Insure Issued by the State of California Department of Industrial Relations.

The Partnership shall furnish to HACLA certificates of such insurance and such other evidence satisfactory to HACLA of the maintenance of all insurance coverages required hereunder at least ten days prior to the earlier of the Commencement Date, and at least 15 days prior to each renewal of said insurance, and Lessee shall obtain a written obligation on the part of each insurance company to notify Lessor at least 30 days before cancellation or a material change of any such insurance policies. All such insurance policies shall be in form, and issued by companies reasonably satisfactory to Lessor and name the Lessor and the State of California and the Department of Housing and Community Development, as well as their respective appointees, officers, agents and employees, as additional insureds. If Lessee fails to comply with the foregoing insurance requirements or to deliver to Lessor the certificates or evidence of coverage required herein, Lessor, in addition to any other remedy available pursuant to this Agreement or otherwise, may, but shall not be obligated to, obtain such insurance and Lessee shall pay to Lessor on demand the premium costs thereof, plus an administrative fee of 15% of such cost.
4.2 **Lessor’s Insurance.** Throughout the Term of this Agreement, Lessor shall maintain, as a minimum, property insurance for the Property’s replacement value (excluding property required to be insured by Lessee), less a commercially reasonable deductible if Lessor so chooses. Lessor may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary. The cost of all insurance carried by Lessor with respect to the Property shall be at the Lessor’s sole expense and for the sole benefit of Lessor and under Lessor’s sole control, and Lessee shall have no right or claim to any proceeds thereof or any other rights thereunder.

4.3 **No Subrogation.** Lessor and Lessee each waives any claim it might have against the other for any injury to or death of any person or persons, damage to or theft, destruction, loss, or loss of use of any property (a “Loss”), to the extent the same is insured against under any insurance policy that covers the Property, Lessor’s or Lessee’s fixtures, personal property, leasehold improvements, or business, or is required to be insured against under the terms hereof (including all deductible amounts), regardless of whether the negligence of the other party caused such Loss. Each party shall cause its insurance carrier to endorse all applicable policies waiving the carrier’s rights of recovery under subrogation or otherwise against the other party.

5. **DEFAULT.**

5.1 **Lessee’s Events of Default**

Each of the following occurrences which continue to exist for a period of ten (30) business days, or as otherwise noted, after receipt by Lessee of a written notice thereof shall be an “Event of Default”:

(a) **Abandonment.** Lessee (1) abandons or vacates the Property or any substantial portion thereof or (2) fails to continuously operate its temporary housing business at the Property.

(b) **Failure to Fulfill Homekey Obligations.** Lessee fails, at the sole discretion and opinion of Lessor, to fulfill the requirements of the Homekey Program and/or the Homekey Documents, including the Declaration of Restrictive Covenants, which default continues after Lessor issues a written notice of same to Lessee and Lessee does not cure such default within five (5) calendar days after the date of such written notice.

(c) **Insurance.** Lessee fails to procure, maintain and deliver to Lessor evidence of the insurance policies and coverages as required herein, which default continues after Lessor issues a written notice of same to Lessee and Lessee does not cure such default within five (5) calendar days after the date of such written notice.

(d) **Mechanic’s Liens.** Lessee fails to pay and release of record, or diligently contest and bond around, any mechanic’s lien filed against the Property for any work performed, materials furnished, or obligation incurred by or at the request of Lessee, within the time and in the manner required herein.
(e) **Disruptive Events.** Lessee fails to abide by the terms of this Agreement in such a manner, whether in the frequency of violation or in the extent of disturbance from one or more violations, as to negatively affect the image of the Property, the safety of any occupant of the Property or the general public and/or quiet enjoyment of the Property by adjoining neighbors, where such violation(s) occur within thirty (30) days after notice from Lessor to Lessee of one or more prior violations of the foregoing type(s), it being recognized and acknowledged by Lessee that the violations which may cause an Event of Default under this section are of a transitory nature and hence are not otherwise suitable for the notice and cure provisions which may be applicable to other Events of Default under this Agreement.

(f) **Other Defaults.** Lessee’s failure to perform, comply with, or observe any other obligation of Lessee under this Agreement and the continuance of such failure for a period of more than thirty (30) calendar days after Lessor has delivered to Lessee written notice thereof.

(g) **Insolvency.** The filing of a petition by or against Lessee (the term “Lessee” shall include, for the purpose of this section, any guarantor of Lessee’s obligations hereunder) (1) in any bankruptcy or other insolvency proceeding; (2) seeking any relief under any state or federal debtor relief law; (3) for the appointment of a liquidator or receiver for all or substantially all of Lessee’s property or for Lessee’s interest in this Agreement; or (4) for the reorganization or modification of Lessee’s capital structure; however, if such a petition is filed against Lessee, then such filing shall not be an Event of Default unless Lessee fails to have the proceedings initiated by such petition dismissed within sixty (60) calendar days after the filing thereof.

5.2 **Remedies.** Upon any Event of Default, Lessor may, in addition to all other rights and remedies afforded Lessor hereunder or by law or equity, take any one or more of the following actions, each and all of which shall be cumulative and non-exclusive, without notice or demand whatsoever:

5.2.1 **Termination of Agreement.**

Lessor may terminate this Agreement and all rights of Lessee hereunder, in which event Lessee shall immediately surrender the Property to Lessor, and if Lessee fails to do so, Lessor may, without prejudice to any other remedy which it may have for possession, enter upon and take possession of the Property and expel or remove Lessee and any other person who may be occupying the Property or any part thereof, without being liable for prosecution or any claim for damages therefore; and Lessor may recover from Lessee the following:

(a) Any amount necessary to compensate Lessor for all the detriment proximately caused by Lessee’s failure to perform its obligations under this Agreement or which in the ordinary course of things would be likely to result therefrom, [expenses incurred for locating another operator of the Property], expenses of remodeling the
Property or any portion thereof for a new Lessee, whether for the same or a different use, and any special concessions made to obtain a new Lessee; and

(b) At Lessor’s election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

5.2.2 Enforcement of Agreement.

Lessor shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee’s breach and abandonment). Accordingly, Lessor may, from time to time, without terminating this Agreement, enforce all of its rights and remedies under this Agreement.

5.3 Payment by Lessee; Non-Waiver; Cumulative Remedies.

5.3.1 Payment by Lessee.

Upon any Event of Default, Lessee shall pay to Lessor all costs incurred by Lessor (including court costs and reasonable attorneys’ fees and expenses) in (1) obtaining possession of the Property, (2) removing and storing Lessee’s or any other occupant’s property, (3) repairing, restoring, altering, remodeling, or otherwise putting the Property into condition acceptable to a new Lessee, (4) performing Lessee’s obligations which Lessee failed to perform, and (5) enforcing, or advising Lessor of, its rights, remedies, and recourses arising out of the Event of Default. To the full extent permitted by law, Lessor and Lessee agree the federal and state courts of the state in which the Property are located shall have exclusive jurisdiction over any matter relating to or arising from this Agreement and the parties’ rights and obligations under this Agreement.

5.3.2 No Waiver.

No waiver by Lessor of any violation or breach of any of the terms contained herein shall waive Lessor’s rights regarding any future violation of such term.

5.3.3 No Remedy Exclusive; Attorneys’ Fees.

No right or remedy conferred upon or reserved to a party hereunder is exclusive of any right or remedy under this Agreement, or at law or in equity or otherwise provided or permitted, but each is cumulative of every other right or remedy now or existing in the future at law or in equity or by statute or otherwise, and may be enforced concurrently or from time to time. If either party institutes any action to enforce this Agreement, each party shall pay its own legal costs without regard to whether or not that party prevails in such action.

5.3.4 Force Majeure.

Notwithstanding the foregoing provisions of this Section 6, Lessee will not be liable or responsible to Lessor, nor be deemed to have defaulted or breached this Agreement,
for any failure or delay in fulfilling or performing any term of this Agreement when and to the extent such failure or delay is caused by or results from acts or circumstances beyond the reasonable control of Lessee including, without limitation, acts of God, flood, fire, earthquake, explosion, governmental actions, war, invasion or hostilities (whether war is declared or not), terrorist threats or acts, riot, or other civil unrest, national emergency, revolution, insurrection, epidemic, pandemic, lockouts, strikes or other labor disputes (whether or not relating to either party's workforce), or restraints or delays affecting carriers or inability or delay in obtaining supplies of adequate or suitable materials, or telecommunication breakdown or power outage.

6. **SURRENDER OF PROPERTY.**

No act by Lessor shall be deemed an acceptance of a surrender of the Property, and no agreement to accept a surrender of the Property shall be valid unless it is in writing and signed by Lessor. At the expiration or earlier termination of this Agreement, Lessee shall deliver to Lessor the Property with all improvements located therein in good repair and condition, free of any liens, free of Hazardous Materials placed on the Property during the Lease Term, broom-clean, reasonable wear and tear excepted, and shall deliver to Lessor all keys to the Property. Lessee may not remove any unattached trade fixtures, furniture, and personal property in the Property except trade fixtures, furniture and personal property purchased and placed in the Property by Lessee. All Personal Property at the Property at initiation of Lease or any Personal Property purchased by Lessee in order to fulfill its operations under the Homekey Program is considered owned by Lessor. At Lessor’s option, Lessee shall remove such alterations, additions, improvements, trade fixtures, personal property, equipment, wiring, conduits, cabling, and furniture (including Lessee’s Equipment) as Lessor may request; however, Lessee shall not be required to remove any addition or improvement to the Property if Lessor has specifically agreed in writing that the improvement or addition in question need not be removed. Lessee shall repair all damage caused by such removal. All items not so removed shall, at Lessor’s option, be deemed to have been abandoned by Lessee and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Lessor without notice to Lessee and without any obligation to account for such items; any such disposition shall not be considered a strict foreclosure or other exercise of Lessor’s rights in respect of the security interest granted. Lessee shall be responsible for noticing its employees and third party contractors/consultants as to the termination of this Agreement. The provisions of this section shall survive the end of the Lease Term.

7. **HOLDING OVER**

If Lessee fails to vacate the Property at the end of the Lease Term, then Lessee shall be a Lessee at sufferance and, in addition to all other damages and remedies to which Lessor may be entitled for such holding over, Lessee shall otherwise continue to be subject to all of Lessee’s obligations under this Agreement. The provisions of this section shall not be deemed to limit or constitute a waiver of any other rights or remedies of Lessor provided herein or at law. If Lessee fails to surrender the Property upon the termination or expiration of this Agreement, in addition to any other liabilities to Lessor accruing therefrom, Lessee shall protect, defend, indemnify and hold Lessor harmless from all loss, costs (including reasonable attorneys’ fees) and liability resulting from such failure, including any claims made by any succeeding Lessee founded upon such failure to surrender, and any costs and expenses to Lessor resulting
8. INDEMNIFICATION.

8.1 Lessee Indemnification of Lessor.

Lessee, with respect to its Property, shall defend, indemnify, and hold harmless Lessor, its representatives, respective directors, commissioners, officers, agents, contractors, servants, or employees and successors or assigns (the “Lessor Parties”) from and against all claims, demands, liabilities, losses, costs, causes of action, suits, judgments, damages, and expenses of any kind whatsoever, including without limitation, attorneys’ fees (collectively, “Damages”) arising from (1) any loss arising from any occurrence on the applicable Property or arising out of the installation, operation, maintenance, repair or removal of any of Lessee’s personal property or (2) Lessee’s failure to perform its obligations under this Agreement, in each case unless and to the extent such failure is caused by the negligence or fault of Lessor or its agents (other than a loss arising from the sole or gross negligence of Lessor or its agents), and even though any such claim, cause of action, or suit is based upon or alleged to be based upon the strict liability of Lessor or its agents and (3) whenever such Damages arise from the negligence or willful misconduct of Lessee, its successors or assigns, or any of their respective directors, officers, agents, contractors, servants, or employees (the “Lessee Parties”). The indemnities set forth herein shall survive termination or expiration of this Agreement. If any proceeding is filed for which indemnity is required hereunder, the indemnifying party agrees, upon request therefore, to defend the indemnified party in such proceeding at its sole cost utilizing counsel satisfactory to the indemnified party.

9. TAX MATTERS.

9.1 Possessory Interest/Personal Property Tax.

Lessee shall be liable for all taxes levied or assessed against its own personal property, furniture, or fixtures placed by Lessee in the Property including possessory interest taxes. If any taxes for which Lessee is liable are levied or assessed against the Lessor or Lessor’s property and Lessor elects to pay the same, then Lessee shall pay to Lessor, within 30 days following written request therefore, the part of such taxes for which Lessee is primarily liable hereunder; however, Lessor shall not pay such amount if Lessee notifies Lessor that it will contest the validity or amount of such taxes before Lessor makes such payment, and thereafter diligently proceeds with such contest in accordance with law and if the non-payment thereof does not pose a threat of loss or seizure of the Property or interest of Lessor therein or impose any fee or penalty against the Lessor.

Pursuant to Revenue and Taxation Code Section 107.6, Lessee is hereby notified that the Property may be subject to property taxation and that the Lessee may be subject to the payment of possessory interest tax and shall be liable for all such taxes which may be levied.
10. ASSIGNMENT.

10.1 General Assignment.

Lessor may assign, transfer, pledge, or otherwise dispose of the Property and this Agreement or any interest herein without the prior written consent of any other party hereto. Lessee may not assign, transfer, pledge, or otherwise dispose of all or any part of its leasehold estate or its interest in this Agreement or any interest herein unless approved in writing by the Lessor, which approval may be given or withheld in Lessor’s sole and absolute discretion. Any purported assignment in violation of this Section 11.1 is null and void.

11. BOOKS AND RECORDS. Lessor shall have the right, from time to time, acting by and through its employees or agents, to examine the books, records, and accounting data of Lessee, and to make extracts therefrom or copies thereof. Lessee shall promptly make such books, records, and accounting data available to Lessor, as stated above, upon written request.

12. MISCELLANEOUS.

12.1 Integration.

The following documents are incorporated into this Agreement by this reference, and, in the event of any conflict between this Agreement and the documents incorporated into this Agreement, the following order of precedence will apply: (a) this Agreement; (b) Homekey Program and (c) the completed and executed Personal Property Schedule.

12.2 Survival.

Sections 3.4.4, 3.4.6, 3.4.7, 6, 7, 8, and 12.15 of this Agreement will survive expiration or earlier termination of this Agreement.

12.3 Construction; Headings.

This Agreement will be interpreted fairly in accordance with its terms and without any strict construction in favor of or against either party. The existence or absence of any terms or conditions of this Agreement will not be used in the construction or interpretation of any other agreement between the Parties. The existence or absence of any term or condition of any other agreement between the Parties will not be used in the construction or interpretation of this Agreement. The headings in this Agreement are for reference only and will not affect the interpretation of this Agreement.

12.4 Notices.

All notices and other communications given pursuant to this Agreement shall be in writing and shall be (1) mailed by first class, United States Mail, postage prepaid, certified, with return receipt requested, and addressed to the parties hereto at the addresses below, (2) hand delivered to the intended addressee, (3) sent by a nationally recognized overnight courier service, or (4) sent by facsimile transmission during
normal business hours followed by a confirmatory letter sent in another manner permitted hereunder. All notices shall be effective upon delivery to the address of the addressee. The parties hereto may change their addresses by giving notice thereof to the other in conformity with this provision. Rejection or other refusal to accept a notice, request, communication or demand or the inability to deliver the same because of a changed address of which no notice was given shall be deemed to be receipt of the notice, request, communication or demand sent. The notice addresses of the Parties are listed below:

LESSEE:

Topanga Canyon Housing Partners, L.P.
c/o Stephanie Klasky-Gamer
7843 Lankershim Boulevard
North Hollywood, CA 91605
stephanie@lafh.org

c/o Tina Smith-Booth
LaCienega LOMOD, Inc.
2600 Wilshire Boulevard
Los Angeles, CA 90057
Tina.booth@hacla.org

With a copy to:

Gubb & Barshay LLP
505 14th Street, Suite 450
Oakland, CA 94109
Attn: Scott Barshay

LESSOR:

The Housing Authority of the City of Los Angeles:

Douglas Guthrie
President and CEO
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Phone: 213-252-1810 Email: douglas.guthrie@hacla.org

With Copy to Legal:

James Johnson
General Counsel
2600 Wilshire Boulevard, 3rd Floor
Los Angeles, CA 90057
Phone: 213-252-1810 Email: james.johnson@hacla.org
12.5 Severability.

If any provision of this Agreement is deemed invalid or unenforceable, that provision will be reformed and/or construed consistently with applicable law as nearly as possible to reflect the original intentions of this Agreement, and in any event, the remaining provisions of this Agreement will remain in full force and effect.

12.6 Waiver; Remedies.

Any waiver of a party’s rights hereunder must be set forth in a writing executed by a duly authorized representative of such party. All rights and remedies enumerated in this Agreement will be cumulative and none will exclude any other right or remedy permitted herein or by law or in equity.

12.7 Counterparts.

This Agreement, including all attachments and other documents incorporated in this Agreement or made applicable by reference, and any amendments, waivers, consents or supplements hereto or thereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which will constitute an original, but all taken together will constitute a single document binding on the parties. This Agreement and any amendments, waivers, consents or supplements hereto may be executed and delivered by facsimile signature, PDF or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (e.g., www.docusign.com).

12.8 Entire Agreement; Amendments.

This Agreement, including all attachments and other documents incorporated in this Agreement or made applicable by reference, constitutes the complete and exclusive statement of the terms and conditions of the Agreement between Lessee and Lessor and supersedes all prior representations, understandings, and communications (oral or written) between the parties concerning the subject matter hereof. This Agreement may be modified or amended only in writing signed by both Parties.

12.9 Independent Relationship.

The Parties acknowledge that the relationship of Lessor and Lessee is only that of a lessor and lessee. Nothing contained in this Agreement will create any agency, employment, partnership, joint venture or similar relationship between Lessor and Lessee for any purpose. No party will have any right whatsoever to incur any liabilities or obligations, including with respect to Lessor related to Lessee’s employees or third party contractors, or to make any warranties on behalf of or binding upon any other party.

12.10 Lessor’s Liability.

The liability of Lessor to Lessee (or any person or entity claiming by, through or under Lessee) for any default by Lessor under the terms of this Agreement, or any matter relating to or arising out of the occupancy or use of the Property and/or other areas, shall be limited to Lessee’s actual direct, but not consequential, damages therefore and shall
be recoverable only from the interest of Lessor in the Property and insurance proceeds relating thereto, and Lessor shall not be personally liable for any deficiency.

12.11 No Merger.

There shall be no merger of the leasehold estate hereby created with the fee estate in the Property or any part thereof if the same person acquires or holds, directly or indirectly, this Agreement or any interest in this Agreement and the fee estate in the leasehold interest in the Property or any interest in such fee estate.

12.12 No Offer.

The submission of this Agreement to Lessee shall not be construed as an offer, and Lessee shall not have any rights under this Agreement unless Lessor executes a copy of this Agreement and delivers it to Lessee.

12.13 Recording.

Lessee shall not record this Agreement or any memorandum of this Agreement without the prior written consent of Lessor, which consent may be withheld or denied in the sole and absolute discretion of Lessor, and any recordation by Lessee shall be a material breach of this Agreement. Lessee grants to Lessor a power of attorney to execute and record a new Agreement releasing any such recorded instrument of record that was recorded without the prior written consent of Lessor.

12.14 Attorneys’ Fees.

In the event any action, suit or proceeding is brought for the enforcement of, or the declaration of, any right or obligation pursuant to this Agreement or as a result of any alleged breach of any provision of this Agreement, each Party shall bear its own costs and expenses, including attorney fees, and any judgment or decree rendered in such a proceeding shall not include an award thereof.

12.15 Hazardous Materials.

The term “Hazardous Materials” as used in this Agreement means any substance, material, or waste which is now or hereafter classified or considered to be hazardous, toxic, or dangerous under any law relating to pollution or the protection or regulation of human health, natural resources or the environment, or poses or threatens to pose a hazard to the health or safety of persons on the Property. Lessee shall not use, generate, store, or dispose of, or permit the use, generation, storage or disposal of Hazardous Materials on or about the Property except in a manner and quantity necessary for the ordinary performance of Lessee’s business, and then in compliance with all laws. If Lessee breaches its obligations under this section, Lessor may immediately take any and all action reasonably appropriate to remedy the same, including taking all appropriate action to clean up or remediate any contamination resulting from Lessee’s use, generation, storage or disposal of Hazardous Materials. Lessee shall defend, indemnify, and hold harmless Lessor and its representatives and agents from and against any and
all claims, demands, liabilities, causes of action, suits, judgments, damages and expenses (including reasonable attorneys’ fees and cost of clean-up and remediation) arising from Lessee’s failure to comply with the provisions of this section. This indemnity provision shall survive termination or expiration of this Agreement.

12.16 Governing law.

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

(SIGNATURES ON FOLLOWING PAGE.)
Executed this ___ day of 5/17/2021, 2021

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By: ___________________________________
Douglas Guthrie
President and Chief Executive Officer

APPROVED AS TO FORM

By: ___________________________________
Erika Clark
HACLA Legal Counsel

5/16/2021

Date: ____________________
TOPANGA CANYON HOUSING PARTNERS, L.P., a California limited partnership

By: PHK Super8, LLC, a California limited liability company, its Managing General Partner

By: ___________________________
Stephanie Klasky-Gamer
President

By: Los Angeles LOMOD South, Inc., a non-profit public benefit corporation, its Administrative General Partner

By: _____________________
Tina Smith-Booth
President
Attachments:
Exhibit A: Personal Property Schedule
Exhibit B: Super 8 Property-Legal Description
Exhibit C: Option Exercise Notice
EXHIBIT A - PERSONAL
PROPERTY SCHEDULE
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EXHIBIT "1"

LEGAL DESCRIPTION OF PROPERTY
(7625 and 7631 Topanga Canyon Blvd.)

LOTS 1, 2 AND 3 OF TRACT NO. 22661, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 723 PAGES 40 AND 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND AS AMENDED BY CERTIFICATION OF CORRECTION RECORDED MARCH 26, 1968 AS INSTRUMENT NO. 3625, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 2012-022-020 AND 2012-022-024
EXHIBIT C- OPTION 
EXERCISE NOTICE

Douglas Guthrie, President and CEO  
Housing Authority of the City of Los Angeles  
2600 Wilshire Boulevard, 3rd Floor  
Los Angeles, CA 90057

James Johnson, General Counsel  
Housing Authority of the City of Los Angeles  
2600 Wilshire Boulevard, 3rd Floor  
Los Angeles, CA 90057

Re:  Lease Agreement dated May __, 2021  
Lessor:  Housing Authority of the City of Los Angeles  
Lessee:  Topanga Canyon Housing Partners, L.P.  
Property:  7625-7631 Topanga Canyon Boulevard, Los Angeles, California

NOTICE IS HEREBY GIVEN PURSUANT TO SECTION 2.1 OF THE REFERENCED LEASE THAT TENANT HEREBY EXERCISES THE OPTION TO GROUND LEASE THE (Hotel or Restaurant) PROPERTY AND PURCHASE THE IMPROVEMENTS AND PERSONAL PROPERTY COMPONENTS THEREOF FOR THE PURCHASE PRICE AND ON THE TERMS AND CONDITIONS SET FORTH IN THE REFERENCED LEASE AGREEMENT.

Topanga Canyon Housing Partners, L.P.,  
a California limited partnership

By:  PHK Super8, LLC, a California limited liability company, Managing General Partner 

By:  Los Angeles LOMOD South, Inc., a nonprofit public benefit corporation  
Administrative General Partner

DocsSigned by:  

By:  

Tina Booth
ATTACHMENT 4

HACLA-TOPANGA CANYON LP LOAN AGREEMENT
This Authority Loan Agreement (this “Agreement”) is entered into as of _____________, 2022, by and between the HOUSING AUTHORITY OF THE CITY OF LOS ANGELES, a public body, corporate and politic (the “Authority”), and Topanga Canyon Housing Partners, LP, a California limited partnership (the “Borrower” and together with the Authority, the “Parties”), with reference to the following facts:

A. The Authority owns that certain real property located at 7625 Topanga Canyon and 7631 Topanga Canyon, Canoga Park, CA 91304, which contains a hotel with fifty-two (52) guest rooms, formerly known as the Super 8 by Wyndham Canoga Park (APN 2012-022-024) (the “Hotel Property”), and a restaurant, with a current commercial tenant (APN 2012-022-020) (the “Restaurant Property”), and certain personal property and fixtures located thereon (collectively, the “Property,” and as more particularly described in Exhibit A attached hereto).

B. The Authority partially underwrote acquisition of the Property with funds (“Homekey Funds”) received from the federal Coronavirus Aid Relief Funds and/or California’s General Fund allocated to and administered by the California Department of Housing and Community Development (“HCD”) via the Homekey Program, as described in the Notice of Funding Availability dated July 16, 2020 (the “Homekey NOFA”). For the purposes hereof, the term, "Homekey Program" means the program authorized pursuant to AB 83 (2019-2020) by the State of California intended to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) and who are impacted by the COVID-19 pandemic, which authorized a program administered by HCD to provide up to $600 million in grant funding available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing.

C. The Borrower is a California limited partnership duly formed and authorized to do business in the State of California as Topanga Canyon Housing Partners, LP, a California limited partnership, having Los Angeles LOMOD South, Inc., a California nonprofit public benefit corporation, as its administrative general partner (the “Administrative General Partner”) and PHK SUP8 LLC, a California limited liability company, as its managing general partner (the “Managing General Partner”).

D. The Borrower desires to rehabilitate and convert former hotel rooms at the Property into approximately fifty-two (52) residential units and to make other ancillary improvements (collectively, the “Improvements”) on the Property.

E. The Borrower intends to construct the Improvements partially with the assistance of loan funds provided under this Agreement, evidenced by a promissory note.
F. Pursuant to the May 17, 2021 lease agreement between the Authority and the Borrower (the “Interim Lease Agreement”), the Authority will lease the Property to the Borrower on a short-term basis, during which time the Borrower will formulate a plan to convert, rehabilitate, develop, finance and operate the Hotel Property, as well as a plan to finance and operate the Restaurant Property, both of which plans are subject to the Authority’s review and approval. Upon such approval, the Borrower will be in a position to exercise the option or options set forth in the Interim Lease Agreement to enter into a long-term (67-year) ground lease of the Property, with the Authority (“Ground Lease”), subject to the approval of the Authority’s Board of Commissioners, in conjunction with which the Borrower will purchase, together or separately, fee interests in the Improvements and personal property components of the Hotel Property (the “Hotel Property Option”) and the improvements and personal property components of the Restaurant Property (the “Restaurant Property Option”).

G. So long as funds borrowed under this Agreement are not repaid prior to or at the time of the Authority’s and Borrower’s entrance into the Ground Lease, then simultaneous with entrance into the Ground Lease, the Authority and Borrower will secure the promissory note evidencing funds borrowed under this Agreement through a leasehold deed of trust, which will be subordinate to the permanent first mortgage loan as evidenced by a recorded subordination agreement.

H. Prior to drawing funds under this Agreement, the Borrower will borrow all funds available under a separate loan agreement with the Administrative General Partner, with outstanding funds borrowed under that agreement likewise secured by leasehold deed of trust entered simultaneous with entrance into the Ground Lease. The loan from the Administrative General Partner will be subordinate to the loan under this Agreement.

NOW, THEREFORE, the Parties agree to the terms of this Agreement as follows:

ARTICLE 1 DEFINITIONS AND EXHIBITS

Section 1.1 Definitions. The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

(a) “Agreement” shall mean this Authority Loan Agreement.

(b) “Approved Development Budget” shall mean the construction budget reflected in Contract for Construction TC-2022-99-MX, entered into between Borrower and Lucy Development Company on October 1, 2022.

(c) “Approved Financing” shall mean all of the following loans and equity acquired or to be acquired by the Borrower and approved by the Authority for the purpose of financing the Project, in addition to the Loan as defined herein (and future refinancing of the Approved Financing with the prior written approval of the Authority pursuant to Section 4.13(d)):
(1) A grant from the Authority of Homekey Funds in the approximate amount of Three Hundred Six Thousand Dollars ($306,000.00), pursuant to the grant agreement between Borrower and the Authority (the “Authority Grant”);

(2) A Community Development Block Grant from the United States Department of Housing and Urban Development through the City of Los Angeles in the approximate amount of Two Million Five Hundred Thousand Dollars ($2,500,000), pursuant to the grant agreement between Borrower and the City of Los Angeles (“CDBG”);

(3) A bridge loan from Los Angeles LOMOD South, Inc. in the approximate original amount of Two Million Five Hundred Fifty-Five Thousand Eight Hundred Thirty-One Dollars ($2,876,549) pursuant to the terms of the Los Angeles LOMOD South, Inc. Bridge Note (the “LOMOD Bridge Loan”); and

(4) A bridge loan from the Authority in the approximate original amount of Two Million Dollars ($2,000,000.00) pursuant to the terms of this Agreement and the Authority Bridge Note (the “Authority Bridge Loan”);

(d) “Authority” shall mean the Housing Authority of the City of Los Angeles, a public body, corporate and politic.

(e) “Authority Bridge Loan” shall mean the loan to the Borrower pursuant to this Agreement in the maximum original principal amount of Two Million Dollars ($2,000,000.00), advanced for the purpose of bridging construction financing prior to Borrower entering into a Ground Lease encompassing the Hotel Property and closing on Permanent Financing for the Hotel Property and its Improvements.

(f) “Authority Bridge Note” shall mean the Authority Bridge Note of even date herewith evidencing the Authority Bridge Loan. The Authority Bridge Note shall be secured by a leasehold deed of trust against the Ground Lease entered into simultaneously with the Ground Lease.

(g) “Borrower” shall mean Topanga Canyon Housing Partners, LP, a California limited partnership.

(h) “Borrower's Leasehold Estate” shall mean the Borrower's leasehold interest in the Property, so long as such interest includes the Hotel Property, acquired pursuant to the Ground Lease and any fee or other interest in the Property acquired by the Borrower hereafter.

(i) “Closing” shall mean the date that Borrower and the Authority enter into the Ground Lease and close on Permanent Financing for the Property.

(j) “Construction Contract” shall mean Contract TC-2022-99-MX for Improvements to the Hotel Property entered into by Borrower and the Contractor on October 1, 2022.

(k) “Conversion” shall mean the date that Borrower and the Authority enter into the Ground Lease and close on Permanent Financing for the Property.
(l) “Contractor” shall mean Lucy Development Company, the general contractor for the Project.

(m) “Conversion Conditions (Construction)” means that: (a) construction of the Project has been completed pursuant to the approved plans and specifications and in a good and workmanlike manner and all governmental approvals regarding same have been obtained, including certificates of occupancy and (b) no Default or event of Default then exists.

(n) “Deed of Trust” shall mean the subordinate deed of trust that will encumber the Improvements upon the Authority’s and Borrower’s entrance into the Ground Lease to secure repayment of the Loan in the form provided by the Authority.

(o) “Financing Plan” shall mean the plan developed by the Borrower that includes:

(i) the Approved Development Budget;

(ii) the sources and uses analysis from the date of the origination of the permanent financing, including an analysis of subsidized financing from public entities for the Project, if any;

(iii) the twenty (20)-year cash flow projections for the Improvements, including an analysis from the projected date of the issuance of the Certificate of Occupancy;

(iv) the initial operating budget for the Improvements, including without limitation an operating reserve fund and capital replacement reserve fund;

(v) all underlying assumptions for each of the above, including terms, conditions, and pricing of all debt and equity; and

(vi) a rent schedule showing the number of units by bedroom size and rent amount.

(p) “Ground Lease” shall mean a long-term (67-year) ground lease of the Property, entered into by the Authority and Borrower, subject to the approval of the Authority’s Board of Commissioners,

(q) “Improvements” shall mean the rehabilitation and conversion of former hotel rooms at the Property into approximately fifty-two (52) residential units and other ancillary improvements, as further described in the Construction Contract (collectively, the “Improvements”) on the Property.

(r) “Interim Lease Agreement” shall mean that May 17, 2021 lease agreement between the Authority and the Borrower under which the Authority will lease the Property to the Borrower on a short-term basis, during which time the Borrower will formulate a plan to convert, rehabilitate, develop, finance and operate the Hotel Property, as well as a plan to finance and
operate the Restaurant Property, both of which plans are subject to the Authority’s review and approval.

(s) “Loan” shall mean the Authority Bridge Loan.

(t) “Loan Documents” shall mean this Agreement and the Note dated the same date as this Agreement, as well as the Deed of Trust to be entered at the time of execution of the Ground Lease.

(u) “Loan Maturity Date” means, for the Authority Bridge Loan, the earlier of (a) sixty-seven (67) years from the effective date of the Ground Lease, or (b) the date on which the principal amount of the Loan has been declared or automatically has become due and payable (whether by acceleration or otherwise).

(v) “Net Cash Flow” shall have the meaning set forth in the Partnership Agreement; provided, however, the definition of “Net Cash Flow” in the Partnership Agreement shall not be amended or modified without the prior written consent of the Authority.

(w) “Note” shall mean the Authority Bridge Note.

(x) “Operating Expenses” all the costs and expenses of any type incurred incidental to the ownership and operation of the Project, including, without limitation, taxes (taking into account any available welfare exemption), capital improvements reasonably deemed necessary by the Administrative General Partner and not funded out of any reserves for such, mortgage and bond insurance premiums, if any, and the cost of operations, social services expenses, mandatory debt service payments, maintenance and repairs, the trustee and issuer fees and the funding of any reserves required to be maintained by any lender or Governmental Agency or pursuant to this Agreement.

(y) “Parties” shall mean the Authority and the Borrower.

(z) “Partnership Agreement” shall mean that certain Agreement of Limited Partnership for Topanga Canyon Housing Partners LP.

(aa) “Project” shall mean the Borrower’s Leasehold Estate in the Hotel Property pursuant to the terms of the Ground Lease, along with the proposed Improvements to the Hotel Property.

(bb) “Property” shall mean the real property located in the City of Los Angeles, County of Los Angeles, State of California, more particularly described in the attached Exhibit A.

(cc) “Revolving Credit Agreement” shall mean the Authority’s line of credit agreement with City National Bank, and if such agreement is subsequently amended or succeeded by an agreement describing a substantially similar financial instrument, such amended or successor agreement.
(dd) “Term” shall have the meaning set forth in Section 2.2.

(ee) “Transfer” shall have the meaning set forth in Section 4.13 below.

(ff) “Units” means the fifty-two (52) residential units to be converted and rehabilitated from the fifty-two (52) hotel rooms comprising the hotel formerly known as the Super 8 by Wyndham Canoga Park.

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

EXHIBIT A: Legal Description of Property
EXHIBIT B: Approved Development Budget
EXHIBIT C: Schedule of Performance for the Improvements
EXHIBIT D: Form of Draw Request
EXHIBIT E: Form of Authority Bridge Note

ARTICLE 2 LOAN PROVISIONS

Section 2.1 Loan. The Authority shall loan to the Borrower the Authority Bridge Loan for the purposes set forth in Section 2.4(b) of this Agreement. Loan funds will be provided through borrowings under the Authority’s Revolving Credit Agreement. Following Conversion, the Borrower shall repay the Loan to the Authority from proceeds of its permanent Financing Loan and, in the event such proceeds are insufficient to repay the entire indebtedness, from Net Cash Flow to the extent available until the Loan Maturity Date, when all remaining unpaid principal and interest shall be due and payable, all as more fully and particularly provided in the Authority Bridge Note. The obligation to repay the Authority Bridge Loan shall be evidenced by the Authority Bridge Note in the form attached hereto as Exhibit E.

Section 2.2 Term. The Authority Bridge Loan shall mature on the date of closing of the Permanent Financing Loan or, if the proceeds of the Permanent Financing Loan are insufficient to repay the entire Authority Bridge Loan, on the Loan Maturity Date.

Section 2.3 Interest.

(a) Interest shall accrue from the date of the first borrowing under this Agreement and shall be equivalent to the interest applicable to the Revolving Credit Agreement borrowings that fund this Agreement. The Borrower’s interest payments under this Agreement shall be pursuant to the payment schedule applicable to the borrowings under the Revolving Credit Agreement that fund this Agreement.

(b) In the event of a Default, interest on the Loan shall begin to accrue, as of the date of Default and continuing until the earlier of such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.
Section 2.4 Use of Loan Funds. The Borrower shall use the Authority Bridge Loan funds to pay construction costs for the Improvements and related development costs of the Project.

Section 2.5 Reserved.

Section 2.6 Reserved.

Section 2.7 Conditions Precedent to Disbursement.

(a) Construction Financing. The maximum amount of funds to be disbursed pursuant to this Section 2.7 shall not exceed, in the case of the Authority Bridge Loan, Two Million Dollars ($2,000,000.00). The Authority Bridge Loan shall be a non-revolving line of credit, such that once advances have been made and repaid, such amounts may not be reborrowed. Disbursements under the Loan shall begin only after all available borrowings under the LOMOD Bridge Loan have been exhausted.

The Authority shall make disbursements upon receipt of a signed draw request by the Borrower consistent with the requirements of Section 2.7(a)(iii). The Authority shall not be obligated to make any disbursements of such proceeds or take any other action under the Loan Documents unless the following conditions are satisfied prior to each such disbursement of the Loan:

(i) The Borrower is not in Default.

(ii) The undisbursed proceeds of the Loan, together with other funds or firm commitments for funds that the Borrower has obtained in connection with the Project, are not less than the amount that the Authority reasonably determines is necessary to pay for development of the Project and to satisfy all of the covenants contained in this Agreement.

(iii) The Authority has received a written draw request from the Borrower setting forth the proposed use of funds consistent with the Approved Development Budget, and in a form containing sufficient detail and with sufficient supporting documentation to permit the Authority to confirm that the work to be funded by the draw request has been performed. The draw requests shall also contain a statement of the total costs incurred by the Borrower since the date of the Borrower's last draw request, and the amount of those costs paid by the Borrower. The Authority’s Form of Draw Request is attached hereto as Exhibit D.

(b) Conversion to Permanent Loan. The Loan shall convert to a permanent loan at Conversion. Once Conversion has occurred, no further advances shall be made pursuant to this Agreement.

(c) Total Amount of Disbursements. Notwithstanding the determination of the construction financing and the permanent financing conversion set forth in this Section 2.7, in no event shall the Authority disburse to the Borrower an amount greater than the Loan amount.
Section 2.8 Repayment Schedule. The Loan shall be repaid as follows:

(a) Payments of Loan. The Borrower shall make repayments of the Loan in accordance with the Note.

(b) Payment in Full. All principal and accrued interest on the Authority Bridge Loan shall be due in full on the earlier to occur of (i) the date of closing of the Permanent Financing Loan, but only to the extent proceeds of the Permanent Financing Loan are available for repayment of the Authority Bridge Loan, (ii) the date of any Transfer not authorized by the Authority, (iii) the date of any Default, and (iv) the Loan Maturity Date.

(c) Prepayment. The Borrower shall have the right to prepay the Loan at any time without premium or penalty. Amounts prepaid may not be re-borrowed.

(d) Construction Cost Savings. The Authority shall be entitled to one hundred percent (100%) of any construction cost savings allocated to Borrower under the construction contract for the Project, if any, after completion of the Project; provided, however, during construction of the Project, Borrower may utilize construction cost savings for other construction costs or soft costs of the Project. Following completion of the Project, any remaining construction cost savings shall be used: (a) first, to repay the Authority Bridge Loan and (b) second, to repay the LOMOD Bridge Loan.

Section 2.9 Reports and Accounting of Net Cash Flow.

(a) Audited Financial Statement. In connection with the annual repayment of the Loan, the Borrower shall furnish to the Authority an audited financial statement duly certified by an independent firm of certified public accountants approved by the Authority, setting forth in reasonable detail the computation and amount of Net Cash Flow during the preceding calendar year.

(b) Books and Records. The Borrower shall keep and maintain on the Property, or elsewhere with the Authority's written consent, full, complete and appropriate books, records and accounts relating to the Project, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail the Borrower's calculation of Net Cash Flow. Books, records, and accounts relating to the Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement shall be kept and maintained in accordance with generally accepted accounting principles consistently applied, and shall be consistent with requirements of this Agreement which provide for the calculation of Net Cash Flow on a cash basis. All such books, records, and accounts shall be open to and available for inspection by the Authority, its auditors or other authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that the Borrower may be required to furnish to any governmental agency shall at all reasonable times be open for inspection by the Authority at the place that the books, records and accounts of the Borrower are kept. The Borrower shall preserve records on which any statement of Net Cash Flow is based for a period of not less than five (5) years after such statement is rendered, and for any period during which
there is an audit undertaken pursuant to subsection (c) below then pending.

(c) Authority Audits. The receipt by the Authority of any statement pursuant to subsection (a) above or any payment by the Borrower or acceptance by the Authority of any Loan repayment for any period shall not bind the Authority as to the correctness of such statement or such payment. Within three (3) years after the receipt of any such statement, the Authority or any designated agent or employee of the Authority at any time, and upon reasonable prior notice, shall be entitled to audit the Net Cash Flow and all books, records, and accounts pertaining thereto. Such audit shall be conducted during normal business hours at the principal place of business of the Borrower and other places where records are kept. Immediately after the completion of an audit, the Authority shall deliver a copy of the results of such audit to the Borrower. If it shall be determined as a result of such audit that there has been any deficiency in a Loan repayment to the Authority, then such deficiency shall become immediately due and payable with interest at the default rate set forth in section 2.3(b) above, determined as of and accruing from the date that said payment should have been made. In addition, if the Borrower's auditor's statement for any calendar year shall be found to have understated Net Cash Flow by more than five percent (5%) and the Authority is entitled to any additional Loan repayment as a result of said understatment, then the Borrower shall pay, in addition to the interest charges referenced hereinabove, all of the Authority's reasonable costs and expenses connected with any such audit or review of Borrower's accounts and records.

Section 2.10 Recourse/Non-Recourse. Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Loan. Nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Authority under Section 7.4 of this Agreement, or for liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

ARTICLE 3 CONSTRUCTION OF THE PROJECT

Section 3.1 Reserved.

Section 3.2 Plans and Specifications. As used in this Agreement, “Construction Plans” shall mean all construction documentation upon which the Borrower and the Borrower's Contractor shall rely in building all the Improvements on the Property. As a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, the Authority must have reviewed and approved the Construction Plans.
Section 3.3 Construction Contract. As a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, the Authority must have reviewed and approved the Construction Contract.

Section 3.4 Reserved.

Section 3.5 Reserved.

Section 3.6 Completion of Construction. The Borrower shall diligently prosecute construction of the Project to completion.

Section 3.7 Reserved.

Section 3.8 Reserved.

Section 3.9 Reserved.

Section 3.10 Reserved.

Section 3.11 Reserved.

Section 3.12 Construction Responsibilities.

(a) It shall be the responsibility of the Borrower to coordinate and schedule the work to be performed so that completion of construction will take place in accordance with this Agreement.

(b) The Borrower shall be solely responsible for all aspects of the Borrower's conduct in connection with the Project, including (but not limited to) the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by the Authority with reference to the Project is solely for the purpose of determining whether the Borrower is properly discharging its obligations to the Authority, and should not be relied upon by the Borrower or by any third parties as a warranty or representation by the Authority as to the quality of the design or construction of the Project.

Section 3.13 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or a stop notice affecting the completion of construction is served on the Authority or any other lender or other third party in connection with the Project, then the Borrower shall, within thirty (30) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Authority a surety bond in sufficient form and amount, or provide the Authority with other assurance satisfactory to the Authority that the claim of lien or
stop notice will be paid or discharged, provided that the Authority provides written notice of such claim of lien or stop notice to the Borrower promptly upon receipt by the Authority.

(b) If the Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, the Authority may with notice to Borrower (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at the Borrower's expense. Alternately, the Authority may require the Borrower to immediately deposit with the Authority the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. The Authority may use such deposit to satisfy any claim or lien that is adversely determined against the Borrower.

(c) The Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction on the Project for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Property. The Borrower authorizes the Authority, but without any obligation on the Authority, to record any notices of completion or cessation of labor, or any other notice that the Authority deems necessary or desirable to protect its interest in the Project and Property.

Section 3.14 Inspections. The Borrower shall, upon advance reasonable written request, permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Project by the Authority and by public authorities during reasonable business hours for the purposes of determining compliance with this Agreement.

Section 3.15 Approved Development Budget; Revisions to Budget. As of the date of this Agreement, the Authority has approved the Approved Development Budget set forth in Exhibit B. The Borrower shall submit any required amendments to the Approved Development Budget to the Authority for approval if actual costs of the Project vary or will vary from the costs shown on the Approved Development Budget. Unpaid fees may accrue. Written consent of the Authority shall be required to amend the Approved Development Budget, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, this Section shall not apply to (i) the reallocation from any contingency line item in the Approved Development Budget to another line item, (ii) savings in one line item allocated to another line item, or (iii) for any cost change of Seventy Five Thousand Dollars ($75,000) for each item or Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate; provided, however, that there is no material change in the Plans and Specifications.

ARTICLE 4 LOAN REQUIREMENTS

Section 4.1 Compliance with Interim Lease Agreement and Ground Lease. The Borrower shall comply with the terms of the Interim Lease Agreement, and once executed and effective, the Ground Lease, which shall then supersede and replace the Interim Lease Agreement. Any breach under the Interim Lease Agreement or the Ground Lease, subject to the notice and cure periods set forth therein, shall be considered a Default under this Agreement.
Section 4.2 Financial Accountings and Post-Completion Audits. No later than one hundred and twenty (120) days following full occupancy of the Project, the Borrower shall provide to the Authority a financial accounting of all sources and uses of funds for the Project. No later than twelve (12) months following the completion of construction of the Improvements, the Borrower shall submit an audited financial report showing the sources and uses of all funds utilized for the Project.

Section 4.3 Information. The Borrower shall provide any information reasonably requested by the Authority in connection with the Project.

Section 4.4 Records.

(a) The Borrower shall maintain complete, accurate, and current records pertaining to the Project for a period of five (5) years after the creation of such records, and shall permit any duly authorized representative of the Authority to inspect and copy records. Such records shall include all invoices, receipts, and other documents related to expenditures from the Loan funds. Records must be kept accurate and current.

(b) The Authority shall notify the Borrower of any records it deems insufficient. The Borrower shall have thirty (30) calendar days after the receipt of such a notice to correct any deficiency in the records specified by the Authority in such notice, or if a period longer than thirty (30) days is reasonably necessary to correct the deficiency, then the Borrower shall begin to correct the deficiency within thirty (30) days and correct the deficiency as soon as reasonably possible.

Section 4.5 Audits. The Borrower shall make available for examination at reasonable intervals and during normal business hours to the Authority all books, accounts, reports, files, and other papers or property with respect to all matters covered by this Agreement, and shall permit the Authority to audit, examine, and make excerpts or transcripts from such records. The Authority may make audits of any conditions relating to this Agreement.

Section 4.6 Additional Requirements. The Borrower shall comply with all applicable laws, regulations and administrative requirements governing the use of the Loan funds. In the event of any conflict between this Agreement and applicable laws, regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations, and administrative requirements shall govern.

Section 4.7 Reserved.

Section 4.8 Maintenance and Damage. During the course of both construction and operation of the Project, the Borrower shall maintain the Property and Improvements in accordance with the terms of the Interim Lease Agreement, and once executed and effective, the Ground Lease, which shall then supersede and replace the Interim Lease Agreement.

Section 4.9 Fees and Taxes. The Borrower shall be solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Improvements and shall pay such charges prior to
delinquency. However, the Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by the Authority, the Borrower deposits with the Authority any funds or other forms of assurance that the Authority in good faith from time to time determines appropriate to protect the Authority from the consequences of the contest being unsuccessful.

Section 4.10 Notice of Litigation. The Borrower shall promptly notify the Authority in writing of any litigation materially affecting the Borrower or the Project and of any claims or disputes that involve a material risk of such litigation.

Section 4.11 Reserved.

Section 4.12 Nondiscrimination. The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, disability, sex, sexual orientation, familial status, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Borrower’s Leasehold Estate and Improvements, nor shall the Borrower or any person claiming under or through the Borrower 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 Borrower’s Leasehold Estate and Improvements. The foregoing covenant shall run with the leasehold interest.

Section 4.13 Transfer.

(a) For purposes of this Agreement, “Transfer” shall mean any sale, assignment, transfer, refinancing, or further encumbering, whether voluntary or involuntary, of (i) any rights and/or duties under this Agreement, (ii) any general partner interest in the Borrower, (iii) any direct limited partner interest in the Borrower other than a transfer to an affiliate of Investor, and/or (iv) any interest in the Borrower’s Leasehold Estate and Improvements, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Borrower’s Leasehold Estate and Improvements is transferred and the Borrower retains title. The term “Transfer” shall exclude the leasing of any single Unit in the Project to an occupant in compliance with applicable regulatory agreements including the leasing of Units.

(b) Except as provided in the Interim Lease Agreement, and once executed and effective, the Ground Lease, which shall then supersede and replace the Interim Lease Agreement, no Transfer shall be permitted without the prior written consent of the Authority, which the Authority may withhold in its discretion. The Loan shall automatically accelerate and be due in full upon any unauthorized Transfer.

(c) The Authority approves the grant of the security interests in the Property described in Section 1.1(c) above.
(d) Notwithstanding anything to the contrary herein and subject to the prior written approval of the Authority, which approval shall not be unreasonably withheld, conditioned or delayed, the Borrower may refinance the Approved Financing loans. Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs, inclusive of any prepayment penalties or yield maintenance fees due under the Approved Financing, and including any protective advances made by the applicable lender of such Approved Financing. The Borrower shall reimburse the Authority for any costs it incurs related to the refinancing of the Approved Financing loans.

Section 4.14 Insurance Requirements. The Borrower shall maintain the following insurance coverage throughout the Term of the Loan:

(a) Workers’ Compensation Insurance. Borrower shall carry or cause to be carried Workers’ Compensation insurance with limits as required by the State of California and Employer’s Liability limits of One Million Dollars ($1,000,000.00) for bodily injury by accident and One Million Dollars ($1,000,000.00) per person and in the annual aggregate for bodily injury by disease covering all persons employed by Borrower in connection with the Improvements and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Borrower.

(b) General Liability Insurance. Commercial general liability and automobile liability insurance, covering loss or damage resulting from accidents or occurrences on or about or in connection with the Improvements or any work, matters, or things under, or in connection with, or related to this Agreement, with personal injury, death, and property damage combined single limit liability of not less than One Million Dollars ($1,000,000.00) for general liability and One Million Dollars ($1,000,000.00) for automobile liability for each accident or occurrence and an aggregate limit of not less than Two Million Dollars ($2,000,000.00) for general liability and One Million Dollars ($1,000,000.00) for automobile liability, and umbrella/excess liability insurance of Five Million Dollars ($5,000,000.00). Coverage under any such comprehensive policy shall be broad form and shall include, but shall not be limited to, operations, contractual, elevators, owner’s and contractor’s protective, products and completed operations, and the use of all owned, non-owned, and hired vehicles. Such insurance coverage shall:

(i) Include the Authority, its officers, commissioners, and employees as insured. The coverage shall contain no special limitations on the scope of protection afforded to the above-listed insured.

(ii) Be primary and non-contributing with respect to any insurance or self-insurance programs covering the Authority, its commissioners, officers, and employees.

(iii) Include all of the Borrower's subcontractors as insured under its policies or furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.
The Borrower shall cause any general contractor, agent, or subcontractor working on the Project under direct contract with the Borrower or subcontract to maintain insurance of the types and in at least the minimum amounts described in subsections (a) and (b) above, excluding the requirement for umbrella/excess liability, which shall not apply to subcontractors. Such insurance shall meet all of the general requirements of subsections (c), (d), and (e) below. Commercial General Liability and Comprehensive Automobile Liability insurance to be maintained by such contractors and agents pursuant to this subsection shall name as additional insureds the Authority, its officers, agents, employees and members of the Authority Board.

(c) In addition to the above insurance requirements, the Borrower shall:

(i) Furnish the Authority with properly executed certificates of insurance which shall clearly evidence all insurance required in sections (a) through (c), and provide that such insurance shall not be cancelled, allowed to expire, or be materially reduced in coverage except on thirty (30) days, prior written notice to the Authority.

(ii) Provide certified copies of endorsements and policies to the Authority in addition to certificates of insurance.

(iii) Replace certificates, policies, and endorsements for any such insurance expiring prior to completion of work on the Project.

(iv) Place such insurance with insurers approved to do business in the State of California and having A.M. Best Company ratings of no less than A:VII, or such other rating acceptable to the Authority.

(d) The required insurance shall be provided under an occurrence form, and the Borrower shall maintain the coverage described in, and consistent with, subsections (a) through (d) continuously so long as the Note is outstanding. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

(e) All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to the Authority.

ARTICLE 5 DEFAULT AND REMEDIES

Section 5.1 Events of Default. Each of the following shall constitute a “Default” by the Borrower under this Agreement:

(a) Failure to Satisfy Conversion Conditions. Failure by the Borrower to satisfy all Conversion Conditions (Construction) by Closing.
(b) Failure to Make Payment. Failure by the Borrower to repay the principal and any interest on the Loan within ten (10) days of receipt of written notice from the Authority that such payment is due pursuant to the Loan Documents.

(c) Breach of Covenants. Failure by the Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents, and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from the Authority to the Borrower or, if the breach cannot be cured within thirty (30) days, the Borrower shall not be in breach so long as the Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days; provided, however, that if a different period or notice requirement is specified under any other section of this Article 5, the specific provisions shall control.

(d) Default Under Other Loans. Failure by the Borrower to make any payment or perform any of the Borrower's covenants, agreements, or obligations under the documents evidencing and securing the Approved Financing following expiration of all applicable notice and cure periods.

(e) Insolvency. A court having jurisdiction shall have made or entered any decree or order;

(i) adjudging the Borrower to be bankrupt or insolvent;

(ii) approving as properly filed a petition seeking reorganization of the Borrower or seeking any arrangement for the Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction;

(iii) appointing a receiver, trustee, liquidator, or assignee of the Borrower in bankruptcy or insolvency or for any of their properties;

(iv) directing the winding up or liquidation of the Borrower, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or

(v) the Borrower shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(f) Assignment; Attachment. The Borrower shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached, or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale.
pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by the Authority, the indebtedness evidenced by the Note.

(g) Suspension; Termination. The Borrower shall have voluntarily suspended its business or, if the Borrower is a partnership, the partnership shall have been dissolved or terminated, other than a technical termination of the partnership for tax purposes.

(h) Liens on Borrower’s Leasehold Estate and Improvements. There shall be filed any claim of lien (other than liens securing the Approved Financing and approved in writing by the Authority) against the Borrower’s Leasehold Estate and Improvements or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of thirty (30) days without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to the Authority.

(i) Reserved.

(j) Unauthorized Transfer. Any Transfer other than as permitted by Section 4.13.

(k) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to the Authority in connection with any of the Loan Documents, proving to have been knowingly incorrect in any material respect when made. After completion of the Improvements, Default may be declared under this subsection only if the failure of representation or warranty also has a material adverse effect on the operation of the Project.

Section 5.2 Reserved.

Section 5.3 Reserved.

Section 5.4 Remedies. The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of the Authority or automatically where so specified, relieve the Authority of any obligation to make or continue the Loan and shall give the Authority the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

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

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

(c) Right to Cure at Borrower's Expense. The Authority shall have the right (but not the obligation) to cure any monetary default by the Borrower under a loan other than the Loan. The Borrower agrees to reimburse the Authority for any funds advanced by the Authority to cure a monetary default by the Borrower upon demand therefor, together with interest thereon at the lesser of the maximum rate permitted by law or ten percent (10%) per annum from the date of expenditure until the date of reimbursement.

Section 5.5 Right of Contest. The Borrower shall have the right to contest in good faith to any claim, demand, levy, or assessment, the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to the Authority or the rights of the Authority hereunder.

Section 5.6 Remedies Cumulative. No right, power, or remedy given to the Authority by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the Authority by the terms of any such instrument, or by any statute or otherwise against the Borrower and any other person. Neither the failure nor any delay on the part of the Authority to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the Authority of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 6.1 Borrower's Warranty of Good Standing and Authority. The Borrower hereby represents and warrants to the Authority as follows:

(a) Organization. The Borrower is duly organized and validly existing and is (or shall be prior to the commencement of activities under this Agreement) in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

(b) Authority of Borrower. The Borrower has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, and to perform and observe the terms and provisions of all of the above.
(c) Authority of Persons Executing Documents. This Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement have been or will be executed and delivered by persons who are duly authorized to execute and deliver the same for and on behalf of the Borrower, and all actions required under the Borrower's organizational documents and applicable governing law for the authorization, execution, delivery, and performance of this Agreement and the Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, have been duly taken (to the extent such actions are required as of the date of execution and delivery of the above-named documents).

(d) Valid and Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will, when so executed and delivered, constitute, legal, valid, and binding obligations of the Borrower enforceable against it in accordance with their respective terms, subject to the laws affecting creditors rights and principles of equity.

(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule, or regulation, or any judgment, decree, or order of any court, board, commission, or agency whatsoever binding on Borrower, or any provision of the organizational documents of the Borrower, or will conflict with or constitute a breach of or a default under any agreement to which the Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of the Borrower, other than liens established pursuant to the Loan Documents.

(f) Pending Proceedings. Except as disclosed in writing to the Authority prior to execution of this Agreement, to the knowledge of the Borrower, the Borrower is not in default under any law or regulation or under any order of any court, board, commission, or agency whatsoever, and, to the best of its knowledge, there are no claims, actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or the Project, at law or in equity, before or by any court, board, commission, or agency whatsoever.

(g) No Debarment. Neither the Borrower nor the Administrative General Partner nor the Managing General Partner has been debarred or suspended pursuant to 2 C.F.R. Part 2424.

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

ARTICLE 7 GENERAL PROVISIONS
Section 7.1 Relationship of Parties. Nothing contained in this Agreement shall be interpreted or understood by any of the Parties, or by any third persons, as creating the relationship of employer and employee, principal and agent, limited or general partnership, or joint venture between the Authority and the Borrower or its agents, employees, or contractors, and the Borrower shall at all times be deemed an independent contractor and shall be wholly responsible for the manner in which it or its agents, or both, perform the services required of it by the terms of this Agreement. The Borrower has and retains the right to exercise full control of employment, direction, compensation, and discharge of all persons assisting in the performance of services under this Agreement. In regards to the acquisition of the Property, construction of the Improvements, and operation of the Project, the Borrower shall be solely responsible for all matters relating to payment of its employees, including compliance with Social Security, withholding, and all other laws and regulations governing such matters, and shall include requirements in each contract that contractors shall be solely responsible for similar matters relating to their employees. The Borrower shall be solely responsible for its own acts and those of its agents and employees.

Section 7.2 No Claims. Nothing contained in this Agreement shall create or justify any claim against the Authority by any person that the Borrower may have employed or with whom the Borrower may have contracted relative to the purchase of materials, supplies, or equipment, or the furnishing or the performance of any work or services with respect to the acquisition of the Property, the construction of the Improvements, or the operation of the Project, and the Borrower shall include similar requirements in any contracts entered into for the acquisition of the Property, the construction of the Improvements, or the operation of the Project.

Section 7.3 Amendments. No alteration or variation of the terms of this Agreement shall be valid unless made in writing by the Parties.

Section 7.4 Indemnification. Notwithstanding any other provision of this Agreement to the contrary, Borrower shall defend, indemnify and hold harmless the Authority and its commissioners, its officer(s), employee(s), agent(s), contractor(s), and director(s) (including directors or employees of any Authority instrumentalities or affiliates) from all claims, actions, demands, costs, expenses and attorneys’ fees arising out of, attributable to or otherwise occasioned, in whole or in part, by an act or omission of the Borrower, its agent(s), contractor(s), servant(s), or employee(s) which constitutes a breach of the Borrower’s obligations under this Agreement. If any third-party performing work for the Borrower on the Project shall assert any claim against the Authority on account of any damage alleged to have been caused by reason of the negligent acts or intentional misconduct of the Borrower, its agent(s), servant(s), employee(s) or contractor(s) (including, without limitation, its general contractor), the Borrower shall defend at its own expense any suit based upon such claim; and if any judgment or claim against the Authority based on such claim shall be allowed, the Borrower shall pay or satisfy such judgment or claim and pay all reasonable costs and expenses in connection therewith including attorneys’ fees. The obligations, indemnities, and liabilities of the Borrower under this Section 7.4 shall not extend to any liability caused by the negligence or misconduct of the Authority or its employee(s), contractor(s) or agent(s). The Borrower’s liability shall not be limited by any provisions or limits of insurance set forth in this Agreement. The provisions of this Section 7.4 shall survive the expiration of the Term.
Section 7.5 Non-Liability of Authority Officials, Employees and Agents. No member, official, employee or agent of the Authority shall be personally liable to the Borrower in the event of any default or breach by the Authority or for any amount which may become due to the Borrower or its successor or on any obligation under the terms of this Agreement.

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

Section 7.7 Discretion Retained By Authority. The Authority's execution of this Agreement in no way limits the discretion of the Authority in the review and approval process in connection with development of the Project.

Section 7.8 Conflict of Interest.

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

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

Section 7.9 Notices, Demands and Communications. Formal notices, demands, and communications between the Parties shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

Authority: Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: President and CEO

With a copy to: Housing Authority of the City of Los Angeles
2600 Wilshire Blvd., Third Floor
Los Angeles, CA 90057
Attn: General Counsel

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

Section 7.10 Applicable Law. This Agreement shall be governed by the laws of the state of California.

Section 7.11 Parties Bound. Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and shall bind the Borrower and its successors and assigns in the Property and the Improvements for the entire Term, and the benefit hereof shall inure to the benefit of the Authority and its successors and assigns.

Section 7.12 Reserved.

Section 7.13 Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding, or unenforceability.

Section 7.14 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; lack of transportation; or court order; actions or inactions of HUD; or any other similar causes (other than lack of funds of the Borrower or the Borrower's inability to finance the construction of the Project) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within fifteen (15) days from the commencement of the cause and such extension of time is not rejected in writing by the
other Party within fifteen (15) days of receipt of the notice. In no event shall the Authority be required to agree to cumulative delays in excess of one year.

Section 7.15 Authority Approval. This Loan has been approved by the Authority Board of Commissioners ("Authority Board") pursuant to Resolution No. ____. Whenever this Agreement calls for Authority approval, consent, or waiver, the written approval, consent, or waiver of the Authority President and Chief Executive Officer shall constitute the approval, consent, or waiver of the Authority, without further authorization required from the Authority Board. The Authority hereby authorizes the Authority President and Chief Executive Officer to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of the Authority. Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. The Authority President and Chief Executive Officer is also hereby authorized to approve, on behalf of the Authority, requests by the Borrower for reasonable extensions of time deadlines set forth in this Agreement. The Authority shall not unreasonably delay in reviewing and approving or disapproving any proposal by the Borrower made in connection with this Agreement.

Section 7.16 Waivers. Any waiver by the Authority of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by the Authority to take action on any breach or default of the Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to the Borrower to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by the Authority to any act or omission by the Borrower shall not be construed to consent to any other or subsequent act or omission or to waive the requirement for the Authority's written consent to future waivers.

Section 7.17 Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of this Agreement's provisions.

Section 7.18 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 7.19 Multiple Originals; Counterpart. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 7.20 Exhibits. Exhibits A, B, C, D, and E are incorporated into and hereby made a part of this Agreement.

[signature page follows]
WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

AUTHORITY

HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

By: Douglas Guthrie, President & CEO

BORROWER

TOPANGA CANYON HOUSING PARTNERS, LP

By: PHK SUP8 LLC, a California limited liability company, its managing general partner

By: Stephanie Klasky-Gamer, President & CEO

APPROVED AS TO FORM

By: John Nosco, HACLA Legal Counsel

By: Los Angeles LOMOD South, Inc., a California non-profit public benefit corporation, its administrative general partner

By: Tina Smith-Booth, President
EXHIBIT A: Legal Description of Property

LOTS 1, 2 AND 3 OF TRACT NO. 22661, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 723 PAGES 40 AND 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND AS AMENDED BY CERTIFICATION OF CORRECTION RECORDED MARCH 26, 1968 AS INSTRUMENT NO. 3625, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 2012-022-020 AND 2012-022-024
EXHIBIT B: Approved Development Budget

Contract for Construction TC-2022-99-MX

[Attached]
EXHIBIT C: Schedule of Performance for the Improvements
EXHIBIT D: Form of Draw Request
EXHIBIT E: Form of Authority Bridge Note
ATTACHMENT 5
HACLA-TOPANGA CANYON LP PROMISSORY NOTE
HACLA PROMISSORY NOTE
(Topanga Canyon Housing Partners, LP)

$2,000,000.00
Los Angeles, California
As of ___________, 2022

FOR VALUE RECEIVED, the undersigned (the “Borrower”) promises to pay the principal sum of up to Two Million Dollars ($2,000,000.00) (the “Authority Bridge Loan”), or so much thereof as may be advanced to the Borrower pursuant to this Promissory Note (this “Note”) and that certain Authority Loan Agreement by and between the Borrower and the Housing Authority of the City of Los Angeles (the “Lender”) dated of even date herewith (the “Loan Agreement”), with interest as provided herein from the date above upon the unpaid balance of this Note, in lawful money of the United States.

(1) Capitalized terms used but not defined herein shall have the meaning set forth in the Loan Agreement.

(2) Funds shall be advanced during the term hereof in accordance with Section 2.7 of the Loan Agreement.

(3) Payment Terms.

(a) All payments due under this Note shall be paid to the order of the Housing Authority of the City of Los Angeles at 2600 Wilshire Boulevard, Los Angeles, CA 90057 or at such other place as the Lender hereof may from time to time designate in writing.

(b) Interest shall accrue from the date of the first borrowing under the Loan Agreement and shall be equivalent to the interest applicable to the Revolving Credit Agreement borrowings that fund the Loan Agreement (the “Interest Rate”). The Borrower’s interest payments under this Agreement shall be pursuant to the payment schedule applicable to the borrowings under the Revolving Credit Agreement that fund this Agreement.

(c) Payments of principal and any accrued interest shall be due and payable under this Note as follows:

(i) Immediately upon Conversion, the Authority Bridge Loan shall be due and payable from the proceeds of permanent financing for the Project, if any, pursuant to the Loan Agreement; provided, however, that if proceeds of permanent financing for the Project are insufficient to repay the entire Authority Bridge Loan, the remaining balance of the Authority Bridge Loan shall be repaid in accordance with subsection (ii) of this Section (c); and

(ii) Commencing the year following Conversion, any remaining unpaid principal and interest under the Authority Bridge Loan shall be due and payable from Net Cash Flow to the extent available, pursuant to Exhibit A hereto. Such payments shall be applied first to accrued interest, if any, then to principal, and shall be payable annually not later than one
hundred twenty (120) days following the end of each fiscal year for the prior annual fiscal period.

(4) If borrowings under this Note are not repaid in full at the time of Conversion, payment of this Note shall be secured by an Authority Subordinate Leasehold Deed of Trust (the “Deed of Trust”) between the Borrower and the Lender to be executed at Closing, encumbering a leasehold interest in certain real property and fee interest in certain improvements located in the City of Los Angeles, County of Los Angeles, State of California, recorded in the official land records of the County of Los Angeles, as well as by other instruments defined in the Loan Agreement as the Loan Documents.

(5) Default.

(a) Subject to the notice and cure periods set forth in the Loan Agreement, any of the following shall constitute an “event of default” under this Note:

(i) Any failure to pay, in full, any payment required under this Note within ten (10) days of written notice that such payment is due;

(ii) The occurrence of any “Default” under the Loan Agreement as defined therein, “Event of Default” under the Deed of Trust as defined therein, or breach or violation of any other instrument securing the obligations of the Borrower under this Note or under any other promissory notes hereafter issued by the Borrower to the Lender pursuant to the Loan Agreement or the Deed of Trust, following the expiration of notice and cure periods, if any, set forth therein.

(b) Upon the occurrence of such an event of default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust shall at the option of the Lender become immediately due and payable upon written notice by the Lender to the Borrower without further demand.

(c) The failure to exercise the remedy set forth in Subsection 5(b) above or any other remedy provided by law upon the occurrence of one or more of the foregoing events of default shall not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other default. The acceptance by the Lender hereof of any payment which is less than the total of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of the Lender, except as and to the extent otherwise provided by law.

(6) Waivers.

(a) The Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, and notice of dishonor of this Note. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time and that the Lender may accept further security or release any security for this Note, all without in any way affecting the liability of the Borrower.
(b) No extension of time for payment of this Note or any installment hereof made by agreement by the Lender with any person now or hereafter liable for payment of this Note shall operate to release, discharge, modify, change, or affect the original liability of the Borrower under this Note, either in whole or in part.

(c) The obligations of the Borrower under this Note shall be absolute and the Borrower waives any and all rights to offset, deduct, or withhold any payments or charges due under this Note for any reason whatsoever.

(7) Miscellaneous Provisions.

(a) All notices to the Lender or the Borrower shall be given in the manner and at the addresses set forth in the Loan Agreement, or to such addresses as the Lender and the Borrower may hereinafter designate. Copies of notices to the Borrower from the Lender shall also be provided by the Lender to any limited partner of the Borrower who requests such notice in writing and provides the Lender with written notice of its address.

(b) The Borrower promises to pay all costs and expenses, including reasonable attorney's fees, incurred by the Lender in the enforcement of the provision of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, or discharge is sought.

(d) This Note shall be governed by and construed in accordance with the laws of the State of California.

(e) The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.

(f) This document, together with the Loan Documents, contains the entire agreement between the parties as to the Authority Bridge Loan. It may not be modified except upon written consent of the parties.

(g) Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Authority Bridge Loan or the performance of the covenants of the Borrower under the Deed of Trust. The sole recourse of the Lender with respect to the principal of, or interest on, this Note and defaults by the Borrower in the performance of its covenants under the Deed of Trust shall be to the property described in the Loan Agreement and the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for this Note of all the rights and remedies of the Lender thereunder, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of this Note as demand for money within the meaning and intention
of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on this Note and the performance of the Borrower's obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Lender under Section 7.4 of the Loan Agreement, or for liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

(h) Notwithstanding any other provisions of this Note, all liens, claims, charges, and priorities related to the Authority Bridge Loan contemplated by this Note shall be subordinate and junior to all liens, claims, charges, and priorities related to the permanent loan.

(i) Exhibit A, attached hereto, is hereby incorporated into this Note.
IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered on the date set forth above.

BORROWER:

TOPANGA CANYON HOUSING PARTNERS, LP,
a California limited partnership

By: PHK SUP8 LLC,
a California limited liability company
 its managing general partner

By: __________________________________________
Stephanie Klasky-Gamer,
President & CEO

By: Los Angeles LOMOD South, Inc.,
a California nonprofit public benefit corporation,
its administrative general partner

By: __________________________________________
Tina Smith-Booth
President
Exhibit A

Distribution of Net Cash Flow

Distribution of Net Cash Flow shall be pursuant to the terms of the Agreement of Limited Partnership of Topanga Canyon Partners, LP, as from time to time amended.
ATTACHMENT 6
LOMOD SOUTH-TOPANGA CANYON LP LOAN AGREEMENT
This LOMOD Loan Agreement (this “Agreement”) is entered into as of _____________, 2022, by and between Los Angeles LOMOD South, Inc., a public body, corporate and politic (“LOMOD South”), and Topanga Canyon Housing Partners, LP, a California limited partnership (the “Borrower” and together with LOMOD South, the “Parties”), with reference to the following facts:

A. The Housing Authority of the City of Los Angeles (the “Authority”) owns that certain real property located at 7625 Topanga Canyon and 7631 Topanga Canyon, Canoga Park, CA 91304, which contains a hotel with fifty-two (52) guest rooms, formerly known as the Super 8 by Wyndham Canoga Park (APN 2012-022-024) (the “Hotel Property”), and a restaurant, with a current commercial tenant (APN 2012-022-020) (the “Restaurant Property”), and certain personal property and fixtures located thereon (collectively, the “Property,” and as more particularly described in Exhibit A attached hereto).

B. The Authority partially underwrote acquisition of the Property with funds (“Homekey Funds”) received from the federal Coronavirus Aid Relief Funds and/or California’s General Fund allocated to and administered by the California Department of Housing and Community Development (“HCD”) via the Homekey Program, as described in the Notice of Funding Availability dated July 16, 2020 (the “Homekey NOFA”). For the purposes hereof, the term, "Homekey Program" means the program authorized pursuant to AB 83 (2019-2020) by the State of California intended to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) and who are impacted by the COVID-19 pandemic, which authorized a program administered by HCD to provide up to $600 million in grant funding available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing.

C. LOMOD South is a California nonprofit public benefit corporation and an instrumentality of the Authority, duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Nonprofit Public Benefit Corporation Law, consisting of Part 2 of Division 2 of Title 1 of the California Corporations Code.

D. The Borrower is a California limited partnership duly formed and authorized to do business in the State of California as Topanga Canyon Housing Partners, LP, a California limited partnership, having LOMOD South as its administrative general partner (the “Administrative General Partner”) and PHK SUP8 LLC, a California limited liability company, as its managing general partner (the “Managing General Partner”).
E. The Borrower desires to rehabilitate and convert former hotel rooms at the Property into approximately fifty-two (52) residential units and to make other ancillary improvements (collectively, the “Improvements”) on the Property.

F. The Borrower intends to construct the Improvements partially with the assistance of loan funds provided under this Agreement, evidenced by a promissory note.

G. Pursuant to the May 17, 2021 lease agreement between the Authority and the Borrower (the “Interim Lease Agreement”), the Authority will lease the Property to the Borrower on a short-term basis, during which time the Borrower will formulate a plan to convert, rehabilitate, develop, finance and operate the Hotel Property, as well as a plan to finance and operate the Restaurant Property, both of which plans are subject to the Authority’s review and approval. Upon such approval, the Borrower will be in a position to exercise the option or options set forth in the Interim Lease Agreement to enter into a long-term (67-year) ground lease of the Property, with the Authority (“Ground Lease”), subject to the approval of the Authority’s Board of Commissioners, in conjunction with which the Borrower will purchase, together or separately, fee interests in the Improvements and personal property components of the Hotel Property (the “Hotel Property Option”) and the improvements and personal property components of the Restaurant Property (the “Restaurant Property Option”).

H. So long as funds borrowed under this Agreement are not repaid prior to or at the time of the Authority’s and Borrower’s entrance into the Ground Lease, then simultaneous with entrance into the Ground Lease, the Authority and Borrower will secure the promissory note evidencing funds borrowed under this Agreement through a leasehold deed of trust, which will be subordinate to the permanent first mortgage loan as evidenced by a recorded subordination agreement.

I. Repayment of borrowings under this Agreement shall be subject to the interest rate and repayment conditions applicable to an “Advance Loan” as described in section 7(c) of Borrower’s Agreement of Limited Partnership ("LPA") executed March 5, 2021 and as further described in this Agreement and its promissory note.

J. Borrower will borrow all funds available this Agreement prior to drawing funds under a separate loan agreement with the Authority (the “Authority Bridge Loan”), with outstanding funds borrowed under that agreement likewise secured by leasehold deed of trust entered simultaneous with entrance into the Ground Lease. The loan under this Agreement will be subordinate to the Authority Bridge Loan.

NOW, THEREFORE, the Parties agree to the terms of this Agreement as follows:

ARTICLE 1 DEFINITIONS AND EXHIBITS

Section 1.1 Definitions. The following capitalized terms have the meanings set forth in this Section 1.1 wherever used in this Agreement, unless otherwise provided:

(a) “Agreement” shall mean this LOMOD Loan Agreement.
(b) “Approved Development Budget” shall mean the construction budget reflected in Contract for Construction TC-2022-99-MX, entered into between Borrower and Lucy Development Company on October 1, 2022.

(c) “Approved Financing” shall mean all of the following loans and equity acquired or to be acquired by the Borrower and approved by the Authority for the purpose of financing the Project, in addition to the Loan as defined herein (and future refinancing of the Approved Financing with the prior written approval of the Authority pursuant to Section 4.13(d)):

(1) A grant from the Authority of Homekey Funds in the approximate amount of Three Hundred Six Thousand Dollars ($306,000.00), pursuant to the grant agreement between Borrower and the Authority (the “Authority Grant”);

(2) A Community Development Block Grant from the United States Department of Housing and Urban Development through the City of Los Angeles in the approximate amount of Two Million Five Hundred Thousand Dollars ($2,500,000), pursuant to the grant agreement between Borrower and the City of Los Angeles (“CDBG”);

(3) A bridge loan from Los Angeles LOMOD South, Inc. in the approximate original amount of Two Million Five Hundred Fifty-Five Thousand Eight Hundred Thirty-One Dollars ($2,876,549) pursuant to the terms of the Los Angeles LOMOD South, Inc. Bridge Note (the “LOMOD Bridge Loan”); and

(4) A bridge loan from the Authority in the approximate original amount of Two Million Dollars ($2,000,000.00) pursuant to the terms of this Agreement and the Authority Bridge Note (the “Authority Bridge Loan”);

(d) “Authority” shall mean the Housing Authority of the City of Los Angeles, a public body, corporate and politic.

(e) “Authority Bridge Loan” shall mean the loan to the Borrower pursuant to the Authority Bridge Loan agreement in the maximum original principal amount of Two Million Dollars ($2,000,000.00), advanced for the purpose of bridging construction financing prior to Borrower entering into a Ground Lease encompassing the Hotel Property and closing on Permanent Financing for the Hotel Property and its Improvements.

(f) “Authority Bridge Note” shall mean the Authority Bridge Note of even date herewith evidencing the Authority Bridge Loan. The Authority Bridge Note shall be secured by a leasehold deed of trust against the Ground Lease entered into simultaneously with the Ground Lease.

(g) “Borrower” shall mean Topanga Canyon Housing Partners, LP, a California limited partnership.
(h) “Borrower's Leasehold Estate” shall mean the Borrower's leasehold interest in the Property, so long as such interest includes the Hotel Property, acquired pursuant to the Ground Lease and any fee or other interest in the Property acquired by the Borrower hereafter.

(i) “Closing” shall mean the date that Borrower and the Authority enter into the Ground Lease and close on Permanent Financing for the Property.

(j) “Construction Contract” shall mean Contract TC-2022-99-MX for Improvements to the Hotel Property entered into by Borrower and the Contractor on October 1, 2022.

(k) “Conversion” shall mean the date that Borrower and the Authority enter into the Ground Lease and close on Permanent Financing for the Property.

(l) “Contractor” shall mean Lucy Development Company, the general contractor for the Project.

(m) “Conversion Conditions (Construction)” means that: (a) construction of the Project has been completed pursuant to the approved plans and specifications and in a good and workmanlike manner and all governmental approvals regarding same have been obtained, including certificates of occupancy and (b) no Default or event of Default then exists.

(n) “Deed of Trust” shall mean the subordinate deed of trust that will encumber the Improvements upon the Authority’s and Borrower’s entrance into the Ground Lease to secure repayment of the Loan in the form provided by LOMOD South.

(o) “Financing Plan” shall mean the plan developed by the Borrower that includes:

(i) the Approved Development Budget;

(ii) the sources and uses analysis from the date of the origination of the permanent financing, including an analysis of subsidized financing from public entities for the Project, if any;

(iii) the twenty (20)-year cash flow projections for the Improvements, including an analysis from the projected date of the issuance of the Certificate of Occupancy;

(iv) the initial operating budget for the Improvements, including without limitation an operating reserve fund and capital replacement reserve fund;

(v) all underlying assumptions for each of the above, including terms, conditions, and pricing of all debt and equity; and

(vi) a rent schedule showing the number of units by bedroom size and rent amount.

(p) “Ground Lease” shall mean a long-term (67-year) ground lease of the Property, entered into by the Authority and Borrower, subject to the approval of the Authority’s Board of Commissioners,
(q) “Improvements” shall mean the rehabilitation and conversion of former hotel rooms at the Property into approximately fifty-two (52) residential units and other ancillary improvements, as further described in the Construction Contract (collectively, the “Improvements”) on the Property.

(r) “Interim Lease Agreement” shall mean that May 17, 2021 lease agreement between the Authority and the Borrower under which the Authority will lease the Property to the Borrower on a short-term basis, during which time the Borrower will formulate a plan to convert, rehabilitate, develop, finance and operate the Hotel Property, as well as a plan to finance and operate the Restaurant Property, both of which plans are subject to the Authority’s review and approval.

(s) “Loan” shall mean the LOMOD Bridge Loan.

(t) “Loan Documents” shall mean this Agreement and the Note dated the same date as this Agreement, as well as the Deed of Trust to be entered at the time of execution of the Ground Lease.

(u) “Loan Maturity Date” means, for the LOMOD Bridge Loan, the earlier of (a) thirty (30) years from the effective date of the Ground Lease, or (b) the date on which the principal amount of the Loan has been declared or automatically has become due and payable (whether by acceleration or otherwise).

(v) “LOMOD Bridge Loan” shall mean the loan to the Borrower pursuant to this Agreement in the maximum original principal amount of Two Million Eight Hundred Seventy-Six Thousand Five Hundred Forty-Nine Dollars ($2,876,549.00), advanced for the purpose of bridging construction financing prior to Borrower entering into a Ground Lease encompassing the Hotel Property and closing on Permanent Financing for the Hotel Property and its Improvements.

(w) “LOMOD Bridge Note” shall mean the LOMOD Bridge Note of even date herewith evidencing the LOMOD Bridge Loan. The LOMOD Bridge Note shall be secured by a leasehold deed of trust against the Ground Lease entered into simultaneously with the Ground Lease.

(x) “LOMOD” or “LOMOD South” mean Los Angeles LOMOD South, Inc., a California nonprofit public benefit corporation and an instrumentality of the Authority, that is the lender under this Agreement and the Borrower’s AGP.

(y) “Loan Maturity Date” means, for the LOMOD Bridge Loan, the earlier of (a) thirty (30) years from the effective date of the Ground Lease, or (b) the date on which the principal amount of the Loan has been declared or automatically has become due and payable (whether by acceleration or otherwise).

(z) “Net Cash Flow” shall have the meaning set forth in the Partnership Agreement; provided, however, the definition of “Net Cash Flow” in the Partnership Agreement shall not be
amended or modified without the prior written consent of the Authority.

(aa) “Note” shall mean the LOMOD Bridge Note.

(bb) “Operating Expenses” all the costs and expenses of any type incurred incidental to the ownership and operation of the Project, including, without limitation, taxes (taking into account any available welfare exemption), capital improvements reasonably deemed necessary by the Administrative General Partner and not funded out of any reserves for such, mortgage and bond insurance premiums, if any, and the cost of operations, social services expenses, mandatory debt service payments, maintenance and repairs, the trustee and issuer fees and the funding of any reserves required to be maintained by any lender or Governmental Agency or pursuant to this Agreement.

(cc) “Parties” shall mean LOMOD South and the Borrower.

(dd) “Partnership Agreement” shall mean that certain Agreement of Limited Partnership for Topanga Canyon Housing Partners LP.

(ee) “Project” shall mean the Borrower’s Leasehold Estate in the Hotel Property pursuant to the terms of the Ground Lease, along with the proposed Improvements to the Hotel Property.

(ff) “Property” shall mean the real property located in the City of Los Angeles, County of Los Angeles, State of California, more particularly described in the attached Exhibit A.

(gg) “Revolving Credit Agreement” shall mean the Authority’s line of credit agreement with City National Bank, and if such agreement is subsequently amended or succeeded by an agreement describing a substantially similar financial instrument, such amended or successor agreement.

(hh) “Term” shall have the meaning set forth in Section 2.2.

(ii) “Transfer” shall have the meaning set forth in Section 4.13 below.

(jj) “Units” means the fifty-two (52) residential units to be converted and rehabilitated from the fifty-two (52) hotel rooms comprising the hotel formerly known as the Super 8 by Wyndham Canoga Park.

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

EXHIBIT A: Legal Description of Property
EXHIBIT B: Approved Development Budget
EXHIBIT C: Schedule of Performance for the Improvements
EXHIBIT D: Form of Draw Request
ARTICLE 2 LOAN PROVISIONS

Section 2.1 Loan. LOMOD South shall loan to the Borrower the LOMOD Bridge Loan for the purposes set forth in Section 2.4(b) of this Agreement. Following Conversion, the Borrower shall repay the Loan to LOMOD South from proceeds of its permanent Financing Loan and, in the event such proceeds are insufficient to repay the entire indebtedness, from Net Cash Flow to the extent available until the Loan Maturity Date, when all remaining unpaid principal and interest shall be due and payable, all as more fully and particularly provided in the LOMOD Bridge Note. The obligation to repay the LOMOD Bridge Loan shall be evidenced by the LOMOD Bridge Note in the form attached hereto as Exhibit E.

Section 2.2 Term. The LOMOD Bridge Loan shall mature on the date of closing of the Permanent Financing Loan or, if the proceeds of the Permanent Financing Loan are insufficient to repay the entire LOMOD Bridge Loan, on the Loan Maturity Date.

Section 2.3 Interest.

(a) Interest shall accrue from the date of the first borrowing under this Agreement and shall be equivalent to the interest applicable to an Advance Loan under section 7(c) of the Partnership Agreement entered March 5, 2021, namely interest compounded monthly at a rate equal to five percent (5%). In the event that the Partnership is amended to change the interest rate applicable to Advance Loans, interest under this Agreement and the Note shall remain at the 5% rate stated in the Note and herein, unless those documents are themselves amended.

(b) In the event of a Default, interest on the Loan shall begin to accrue, as of the date of Default and continuing until the earlier of such time as the Loan funds are repaid in full or the Default is cured, at the default rate of the lesser of ten percent (10%), compounded annually, or the highest rate permitted by law.

Section 2.4 Use of Loan Funds. The Borrower shall use the LOMOD Bridge Loan funds to pay construction costs for the Improvements and related development costs of the Project.

Section 2.5 Reserved.

Section 2.6 Reserved.

Section 2.7 Conditions Precedent to Disbursement.

(a) Construction Financing. The maximum amount of funds to be disbursed pursuant to this Section 2.7 shall not exceed, in the case of the LOMOD Bridge Loan, Two Million Eight Hundred Seventy-Six Thousand Five Hundred Forty-Nine Dollars ($2,876,549.00). The LOMOD Bridge Loan shall be a non-revolving line of credit, such that once advances have been made and repaid, such amounts may not be reborrowed. Disbursements under the Authority

EXHIBIT E: Form of LOMOD Bridge Note
Bridge Loan shall begin only after all available borrowings under the LOMOD Bridge Loan have been exhausted.

LOMOD South shall make disbursements upon receipt of a signed draw request by the Borrower consistent with the requirements of Section 2.7(a)(iii). LOMOD South shall not be obligated to make any disbursements of such proceeds or take any other action under the Loan Documents unless the following conditions are satisfied prior to each such disbursement of the Loan:

(i) The Borrower is not in Default.

(ii) The undisbursed proceeds of the Loan, together with other funds or firm commitments for funds that the Borrower has obtained in connection with the Project, are not less than the amount that LOMOD South reasonably determines is necessary to pay for development of the Project and to satisfy all of the covenants contained in this Agreement.

(iii) LOMOD South has received a written draw request from the Borrower setting forth the proposed use of funds consistent with the Approved Development Budget, and in a form containing sufficient detail and with sufficient supporting documentation to permit LOMOD South to confirm that the work to be funded by the draw request has been performed. The draw requests shall also contain a statement of the total costs incurred by the Borrower since the date of the Borrower's last draw request, and the amount of those costs paid by the Borrower. LOMOD South’s Form of Draw Request is attached hereto as Exhibit D.

(b) Conversion to Permanent Loan. The Loan shall convert to a permanent loan at Conversion. Once Conversion has occurred, no further advances shall be made pursuant to this Agreement.

(c) Total Amount of Disbursements. Notwithstanding the determination of the construction financing and the permanent financing conversion set forth in this Section 2.7, in no event shall LOMOD South disburse to the Borrower an amount greater than the Loan amount.

Section 2.8 Repayment Schedule. The Loan shall be repaid as follows:

(a) Payments of Loan. The Borrower shall make repayments of the Loan in accordance with the Note.

(b) Payment in Full. All principal and accrued interest on the LOMOD Bridge Loan shall be due in full on the earlier to occur of (i) the date of closing of the Permanent Financing Loan, but only to the extent proceeds of the Permanent Financing Loan are available for repayment of the LOMOD Bridge Loan, (ii) the date of any Transfer not authorized by LOMOD South, (iii) the date of any Default, and (iv) the Loan Maturity Date.

(c) Prepayment. The Borrower shall have the right to prepay the Loan at any time without premium or penalty. Amounts prepaid may not be re-borrowed.
(d) Construction Cost Savings. The Authority shall be entitled to one hundred percent (100%) of any construction cost savings allocated to Borrower under the construction contract for the Project, if any, after completion of the Project; provided, however, during construction of the Project, Borrower may utilize construction cost savings for other construction costs or soft costs of the Project. Following completion of the Project, any remaining construction cost savings shall be used: (a) first, to repay the Authority Bridge Loan and (b) second, to repay the LOMOD Bridge Loan.

Section 2.9 Reports and Accounting of Net Cash Flow.

(a) Audited Financial Statement. In connection with the annual repayment of the Loan, the Borrower shall furnish to LOMOD South an audited financial statement duly certified by an independent firm of certified public accountants approved by LOMOD South, setting forth in reasonable detail the computation and amount of Net Cash Flow during the preceding calendar year.

(b) Books and Records. The Borrower shall keep and maintain on the Property, or elsewhere with the Authority's written consent, full, complete and appropriate books, record and accounts relating to the Project, including all such books, records and accounts necessary or prudent to evidence and substantiate in full detail the Borrower's calculation of Net Cash Flow. Books, records, and accounts relating to the Borrower's compliance with the terms, provisions, covenants and conditions of this Agreement shall be kept and maintained in accordance with generally accepted accounting principles consistently applied, and shall be consistent with requirements of this Agreement which provide for the calculation of Net Cash Flow on a cash basis. All such books, records, and accounts shall be open to and available for inspection by LOMOD South, its auditors or other authorized representatives at reasonable intervals during normal business hours. Copies of all tax returns and other reports that the Borrower may be required to furnish to any governmental agency shall at all reasonable times be open for inspection by LOMOD South at the place that the books, records and accounts of the Borrower are kept. The Borrower shall preserve records on which any statement of Net Cash Flow is based for a period of not less than five (5) years after such statement is rendered, and for any period during which there is an audit undertaken pursuant to subsection (c) below then pending.

(c) LOMOD South Audits. The receipt by LOMOD South of any statement pursuant to subsection (a) above or any payment by the Borrower or acceptance by LOMOD South of any Loan repayment for any period shall not bind LOMOD South as to the correctness of such statement or such payment. Within three (3) years after the receipt of any such statement, LOMOD South or any designated agent or employee of LOMOD South at any time, and upon reasonable prior notice, shall be entitled to audit the Net Cash Flow and all books, records, and accounts pertaining thereto. Such audit shall be conducted during normal business hours at the principal place of business of the Borrower and other places where records are kept. Immediately after the completion of an audit, LOMOD South shall deliver a copy of the results of such audit to the Borrower. If it shall be determined as a result of such audit that there has been any deficiency in a Loan repayment to LOMOD South, then such deficiency shall become immediately due and payable with interest at the default rate set forth in section 2.3(b) above,
determined as of and accruing from the date that said payment should have been made. In addition, if the Borrower's auditor's statement for any calendar year shall be found to have understated Net Cash Flow by more than five percent (5%) and LOMOD South is entitled to any additional Loan repayment as a result of said understatement, then the Borrower shall pay, in addition to the interest charges referenced hereinabove, all of LOMOD South 's reasonable costs and expenses connected with any such audit or review of Borrower's accounts and records.

Section 2.10 Recourse/Non-Recourse. Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Loan. Nothing contained herein is intended to relieve the Borrower of its obligation to indemnify LOMOD South under Section 7.4 of this Agreement, or for liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

ARTICLE 3 CONSTRUCTION OF THE PROJECT

Section 3.1 Reserved.

Section 3.2 Plans and Specifications. As used in this Agreement, “Construction Plans” shall mean all construction documentation upon which the Borrower and the Borrower's Contractor shall rely in building all the Improvements on the Property. As a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, LOMOD South must have reviewed and approved the Construction Plans.

Section 3.3 Construction Contract. As a condition precedent and prior to funding of any disbursements of Loan proceeds under Section 2.7 above, LOMOD South must have reviewed and approved the Construction Contract.

Section 3.4 Reserved.

Section 3.5 Reserved.

Section 3.6 Completion of Construction. The Borrower shall diligently prosecute construction of the Project to completion.

Section 3.7 Reserved.

Section 3.8 Reserved.

Section 3.9 Reserved.
Section 3.10 Reserved.

Section 3.11 Reserved.

Section 3.12 Construction Responsibilities.

(a) It shall be the responsibility of the Borrower to coordinate and schedule the work to be performed so that completion of construction will take place in accordance with this Agreement.

(b) The Borrower shall be solely responsible for all aspects of the Borrower's conduct in connection with the Project, including (but not limited to) the quality and suitability of the plans and specifications, the supervision of construction work, and the qualifications, financial condition, and performance of all architects, engineers, contractors, subcontractors, suppliers, consultants, and property managers. Any review or inspection undertaken by LOMOD South with reference to the Project is solely for the purpose of determining whether the Borrower is properly discharging its obligations to LOMOD South, and should not be relied upon by the Borrower or by any third parties as a warranty or representation by LOMOD South as to the quality of the design or construction of the Project.

Section 3.13 Mechanics Liens, Stop Notices, and Notices of Completion.

(a) If any claim of lien is filed against the Property or a stop notice affecting the completion of construction is served on LOMOD South or any other lender or other third party in connection with the Project, then the Borrower shall, within thirty (30) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to LOMOD South a surety bond in sufficient form and amount, or provide LOMOD South with other assurance satisfactory to LOMOD South that the claim of lien or stop notice will be paid or discharged, provided that LOMOD South provides written notice of such claim of lien or stop notice to the Borrower promptly upon receipt by LOMOD South.

(b) If the Borrower fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Section, then in addition to any other right or remedy, LOMOD South may with notice to Borrower (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at the Borrower's expense. Alternately, LOMOD South may require the Borrower to immediately deposit with LOMOD South the amount necessary to satisfy such lien or claim and any costs, pending resolution thereof. LOMOD South may use such deposit to satisfy any claim or lien that is adversely determined against the Borrower.

(c) The Borrower shall file a valid notice of cessation or notice of completion upon cessation of construction on the Project for a continuous period of thirty (30) days or more, except in the event such cessation of construction is caused by adverse weather conditions, and shall take all other reasonable steps to forestall the assertion of claims of lien against the Property. The Borrower authorizes LOMOD South, but without any obligation on LOMOD
South, to record any notices of completion or cessation of labor, or any other notice that LOMOD South deems necessary or desirable to protect its interest in the Project and Property.

Section 3.14 Inspections. The Borrower shall, upon advance reasonable written request, permit and facilitate, and shall require its contractors to permit and facilitate, observation and inspection at the Project by LOMOD South and by public authorities during reasonable business hours for the purposes of determining compliance with this Agreement.

Section 3.15 Approved Development Budget; Revisions to Budget. As of the date of this Agreement, LOMOD South has approved the Approved Development Budget set forth in Exhibit B. The Borrower shall submit any required amendments to the Approved Development Budget to LOMOD South for approval if actual costs of the Project vary or will vary from the costs shown on the Approved Development Budget. Unpaid fees may accrue. Written consent of LOMOD South shall be required to amend the Approved Development Budget, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, this Section shall not apply to (i) the reallocation from any contingency line item in the Approved Development Budget to another line item, (ii) savings in one line item allocated to another line item, or (iii) for any cost change of Seventy Five Thousand Dollars ($75,000) for each item or Two Hundred Fifty Thousand Dollars ($250,000) in the aggregate; provided, however, that there is no material change in the Plans and Specifications.

ARTICLE 4 LOAN REQUIREMENTS

Section 4.1 Compliance with Interim Lease Agreement and Ground Lease. The Borrower shall comply with the terms of the Interim Lease Agreement, and once executed and effective, the Ground Lease, which shall then supersede and replace the Interim Lease Agreement. Any breach under the Interim Lease Agreement or the Ground Lease, subject to the notice and cure periods set forth therein, shall be considered a Default under this Agreement.

Section 4.2 Financial Accountings and Post-Completion Audits. No later than one hundred and twenty (120) days following full occupancy of the Project, the Borrower shall provide to LOMOD South a financial accounting of all sources and uses of funds for the Project. No later than twelve (12) months following the completion of construction of the Improvements, the Borrower shall submit an audited financial report showing the sources and uses of all funds utilized for the Project.

Section 4.3 Information. The Borrower shall provide any information reasonably requested by LOMOD South in connection with the Project.

Section 4.4 Records.

(a) The Borrower shall maintain complete, accurate, and current records pertaining to the Project for a period of five (5) years after the creation of such records, and shall permit any duly authorized representative of LOMOD South to inspect and copy records. Such records shall include all invoices, receipts, and other documents related to expenditures from the Loan funds. Records must be kept accurate and current.
(b) LOMOD South shall notify the Borrower of any records it deems insufficient. The Borrower shall have thirty (30) calendar days after the receipt of such a notice to correct any deficiency in the records specified by LOMOD South in such notice, or if a period longer than thirty (30) days is reasonably necessary to correct the deficiency, then the Borrower shall begin to correct the deficiency within thirty (30) days and correct the deficiency as soon as reasonably possible.

Section 4.5 Audits. The Borrower shall make available for examination at reasonable intervals and during normal business hours to LOMOD South all books, accounts, reports, files, and other papers or property with respect to all matters covered by this Agreement, and shall permit LOMOD South to audit, examine, and make excerpts or transcripts from such records. LOMOD South may make audits of any conditions relating to this Agreement.

Section 4.6 Additional Requirements. The Borrower shall comply with all applicable laws, regulations and administrative requirements governing the use of the Loan funds. In the event of any conflict between this Agreement and applicable laws, regulations and administrative requirements governing the use of the Loan funds, the applicable laws, regulations, and administrative requirements shall govern.

Section 4.7 Reserved.

Section 4.8 Maintenance and Damage. During the course of both construction and operation of the Project, the Borrower shall maintain the Property and Improvements in accordance with the terms of the Interim Lease Agreement, and once executed and effective, the Ground Lease, which shall then supersede and replace the Interim Lease Agreement.

Section 4.9 Fees and Taxes. The Borrower shall be solely responsible for payment of all fees, assessments, taxes, charges, and levies imposed by any public authority or utility company with respect to the Property or the Improvements and shall pay such charges prior to delinquency. However, the Borrower shall not be required to pay and discharge any such charge so long as (a) the legality thereof is being contested diligently and in good faith and by appropriate proceedings, and (b) if requested by LOMOD South, the Borrower deposits with LOMOD South any funds or other forms of assurance that LOMOD South in good faith from time to time determines appropriate to protect LOMOD South from the consequences of the contest being unsuccessful.

Section 4.10 Notice of Litigation. The Borrower shall promptly notify LOMOD South in writing of any litigation materially affecting the Borrower or the Project and of any claims or disputes that involve a material risk of such litigation.

Section 4.11 Reserved.

Section 4.12 Nondiscrimination. The Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of race, color, religion, creed, age, disability, sex, sexual orientation, familial status, marital status, ancestry or national origin in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Borrower’s Leasehold Estate and
Improvements, nor shall the Borrower or any person claiming under or through the Borrower 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 Borrower’s Leasehold Estate and Improvements. The foregoing covenant shall run with the leasehold interest.

Section 4.13 Transfer.

(a) For purposes of this Agreement, “Transfer” shall mean any sale, assignment, transfer, refinancing, or further encumbering, whether voluntary or involuntary, of (i) any rights and/or duties under this Agreement, (ii) any general partner interest in the Borrower, (iii) any direct limited partner interest in the Borrower other than a transfer to an affiliate of Investor, and/or (iv) any interest in the Borrower’s Leasehold Estate and Improvements, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Borrower’s Leasehold Estate and Improvements is transferred and the Borrower retains title. The term “Transfer” shall exclude the leasing of any single Unit in the Project to an occupant in compliance with applicable regulatory agreements including the leasing of Units.

(b) Except as provided in the Interim Lease Agreement, and once executed and effective, the Ground Lease, which shall then supersede and replace the Interim Lease Agreement, no Transfer shall be permitted without the prior written consent of LOMOD South, which LOMOD South may withhold in its discretion. The Loan shall automatically accelerate and be due in full upon any unauthorized Transfer.

(c) LOMOD South approves the grant of the security interests in the Property described in Section 1.1(c) above.

(d) Notwithstanding anything to the contrary herein and subject to the prior written approval of LOMOD South, which approval shall not be unreasonably withheld, conditioned or delayed, the Borrower may refinance the Approved Financing loans. Any refinancing of the Approved Financing loans shall be on commercially reasonable terms in an amount not to exceed the then outstanding principal balance of such Approved Financing loans plus reasonable costs, inclusive of any prepayment penalties or yield maintenance fees due under the Approved Financing, and including any protective advances made by the applicable lender of such Approved Financing. The Borrower shall reimburse LOMOD South for any costs it incurs related to the refinancing of the Approved Financing loans.

Section 4.14 Insurance Requirements. The Borrower shall maintain the following insurance coverage throughout the Term of the Loan:

(a) Workers’ Compensation Insurance. Borrower shall carry or cause to be carried Workers’ Compensation insurance with limits as required by the State of California and Employer’s Liability limits of One Million Dollars ($1,000,000.00) for bodily injury by accident and One Million Dollars ($1,000,000.00) per person and in the annual aggregate for bodily
injury by disease covering all persons employed by Borrower in connection with the
Improvements and with respect to whom death, bodily injury, or sickness insurance claims could
be asserted against Borrower.

(b) General Liability Insurance. Commercial general liability and automobile liability
insurance, covering loss or damage resulting from accidents or occurrences on or about or in
connection with the Improvements or any work, matters, or things under, or in connection with,
or related to this Agreement, with personal injury, death, and property damage combined single
limit liability of not less than One Million Dollars ($1,000,000.00) for general liability and One
Million Dollars ($1,000,000.00) for automobile liability for each accident or occurrence and an
aggregate limit of not less than Two Million Dollars ($2,000,000.00) for general liability and
One Million Dollars ($1,000,000.00) for automobile liability, and umbrella/excess liability
insurance of Five Million Dollars ($5,000,000.00). Coverage under any such comprehensive
policy shall be broad form and shall include, but shall not be limited to, operations, contractual,
elevators, owner’s and contractor’s protective, products and completed operations, and the use of
all owned, non-owned, and hired vehicles. Such insurance coverage shall:

(i) Include LOMOD South, its officers, commissioners, and employees as insured.
The coverage shall contain no special limitations on the scope of protection
afforded to the above-listed insured.

(ii) Be primary and non-contributing with respect to any insurance or self-insurance
programs covering LOMOD South, its commissioners, officers, and employees.

(iii) Include all of the Borrower's subcontractors as insured under its policies or
furnish separate certificates and endorsements for each subcontractor. All
coverages for subcontractors shall be subject to all of the requirements stated
herein.

The Borrower shall cause any general contractor, agent, or subcontractor working on the Project
under direct contract with the Borrower or subcontract to maintain insurance of the types and in
at least the minimum amounts described in subsections (a) and (b) above, excluding the
requirement for umbrella/excess liability, which shall not apply to subcontractors. Such
insurance shall meet all of the general requirements of subsections (c), (d), and (e) below.
Commercial General Liability and Comprehensive Automobile Liability insurance to be
maintained by such contractors and agents pursuant to this subsection shall name as additional
insureds LOMOD South, its officers, agents, employees and members of the LOMOD South
Board.

(c) In addition to the above insurance requirements, the Borrower shall:

(i) Furnish LOMOD South with properly executed certificates of insurance which
shall clearly evidence all insurance required in sections (a) through (c), and
provide that such insurance shall not be cancelled, allowed to expire, or be
materially reduced in coverage except on thirty (30) days, prior written notice to
LOMOD South.
(ii) Provide certified copies of endorsements and policies to LOMOD South in addition to certificates of insurance.

(iii) Replace certificates, policies, and endorsements for any such insurance expiring prior to completion of work on the Project.

(iv) Place such insurance with insurers approved to do business in the State of California and having A.M. Best Company ratings of no less than A:VII, or such other rating acceptable to LOMOD South.

(d) The required insurance shall be provided under an occurrence form, and the Borrower shall maintain the coverage described in, and consistent with, subsections (a) through (d) continuously so long as the Note is outstanding. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

(e) All policies and bonds shall be endorsed to provide thirty (30) days prior written notice of cancellation, reduction in coverage, or intent not to renew to the address established for notices to LOMOD South.

ARTICLE 5 DEFAULT AND REMEDIES

Section 5.1 Events of Default. Each of the following shall constitute a “Default” by the Borrower under this Agreement:

(a) Failure to Satisfy Conversion Conditions. Failure by the Borrower to satisfy all Conversion Conditions (Construction) by Closing.

(b) Failure to Make Payment. Failure by the Borrower to repay the principal and any interest on the Loan within ten (10) days of receipt of written notice from LOMOD South that such payment is due pursuant to the Loan Documents.

(c) Breach of Covenants. Failure by the Borrower to duly perform, comply with, or observe any of the conditions, terms, or covenants of any of the Loan Documents, and such failure having continued uncured for thirty (30) days after receipt of written notice thereof from LOMOD South to the Borrower or, if the breach cannot be cured within thirty (30) days, the Borrower shall not be in breach so long as the Borrower is diligently undertaking to cure such breach and such breach is cured within ninety (90) days; provided, however, that if a different period or notice requirement is specified under any other section of this Article 5, the specific provisions shall control.

(d) Default Under Other Loans. Failure by the Borrower to make any payment or perform any of the Borrower's covenants, agreements, or obligations under the documents evidencing and securing the Approved Financing following expiration of all applicable notice and cure periods.
(e) Insolvency. A court having jurisdiction shall have made or entered any decree or order;

(i) adjudging the Borrower to be bankrupt or insolvent;

(ii) approving as properly filed a petition seeking reorganization of the Borrower or seeking any arrangement for the Borrower under the bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction;

(iii) appointing a receiver, trustee, liquidator, or assignee of the Borrower in bankruptcy or insolvency or for any of their properties;

(iv) directing the winding up or liquidation of the Borrower, if any such decree or order described in clauses (i) to (iv), inclusive, shall have continued unstayed or undischarged for a period of ninety (90) days; or

(v) the Borrower shall have admitted in writing its inability to pay its debts as they fall due or shall have voluntarily submitted to or filed a petition seeking any decree or order of the nature described in clauses (i) to (iv), inclusive. The occurrence of any of the events of Default in this paragraph shall act to accelerate automatically, without the need for any action by LOMOD South, the indebtedness evidenced by the Note.

(f) Assignment; Attachment. The Borrower shall have assigned its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached, or executed upon shall have been returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by LOMOD South, the indebtedness evidenced by the Note.

(g) Suspension; Termination. The Borrower shall have voluntarily suspended its business or, if the Borrower is a partnership, the partnership shall have been dissolved or terminated, other than a technical termination of the partnership for tax purposes.

(h) Liens on Borrower’s Leasehold Estate and Improvements. There shall be filed any claim of lien (other than liens securing the Approved Financing and approved in writing by LOMOD South) against the Borrower’s Leasehold Estate and Improvements or any part thereof, or any interest or right made appurtenant thereto, or the service of any notice to withhold proceeds of the Loan and the continued maintenance of said claim of lien or notice to withhold for a period of thirty (30) days without discharge or satisfaction thereof or provision therefor (including, without limitation, the posting of bonds) satisfactory to LOMOD South.

(i) Reserved.
(j) Unauthorized Transfer. Any Transfer other than as permitted by Section 4.13.

(k) Representation or Warranty Incorrect. Any Borrower representation or warranty contained in this Agreement, or in any application, financial statement, certificate, or report submitted to LOMOD South in connection with any of the Loan Documents, proving to have been knowingly incorrect in any material respect when made. After completion of the Improvements, Default may be declared under this subsection only if the failure of representation or warranty also has a material adverse effect on the operation of the Project.

Section 5.2 Reserved.

Section 5.3 Reserved.

Section 5.4 Remedies. The occurrence of any Default hereunder following the expiration of all applicable notice and cure periods will, either at the option of LOMOD South or automatically where so specified, relieve LOMOD South of any obligation to make or continue the Loan and shall give LOMOD South the right to proceed with any and all remedies set forth in this Agreement and the Loan Documents, including but not limited to the following:

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

(b) Specific Performance. LOMOD South shall have the right to mandamus or other suit, action or proceeding at law or in equity to require the Borrower to perform its obligations and covenants under the Loan Documents or to enjoin acts which may be unlawful or in violation of the provisions of the Loan Documents.

(c) Right to Cure at Borrower's Expense. LOMOD South shall have the right (but not the obligation) to cure any monetary default by the Borrower under a loan other than the Loan. The Borrower agrees to reimburse LOMOD South for any funds advanced by LOMOD South to cure a monetary default by the Borrower upon demand therefor, together with interest thereon at the lesser of the maximum rate permitted by law or ten percent (10%) per annum from the date of expenditure until the date of reimbursement.

Section 5.5 Right of Contest. The Borrower shall have the right to contest in good faith to any claim, demand, levy, or assessment, the assertion of which would constitute a Default.
hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to LOMOD South or the rights of LOMOD South hereunder.

Section 5.6 Remedies Cumulative. No right, power, or remedy given to LOMOD South by the terms of this Agreement or the Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to LOMOD South by the terms of any such instrument, or by any statute or otherwise against the Borrower and any other person. Neither the failure nor any delay on the part of LOMOD South to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by LOMOD South of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

ARTICLE 6 REPRESENTATIONS AND WARRANTIES OF BORROWER

Section 6.1 Borrower's Warranty of Good Standing and Authority. The Borrower hereby represents and warrants to LOMOD South as follows:

(a) Organization. The Borrower is duly organized and validly existing and is (or shall be prior to the commencement of activities under this Agreement) in good standing under the laws of the State of California and has the power and authority to own its property and carry on its business as now being conducted.

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

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

(d) Valid and Binding Agreements. This Agreement and the Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will, when so executed and delivered, constitute, legal, valid, and binding obligations of the Borrower enforceable against it in accordance with their respective terms, subject to the laws affecting creditors rights and principles of equity.
(e) No Breach of Law or Agreement. Neither the execution nor delivery of this Agreement and the Loan Documents or of any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, nor the performance of any provision, condition, covenant or other term hereof or thereof, will conflict with or result in a breach of any statute, rule, or regulation, or any judgment, decree, or order of any court, board, commission, or agency whatsoever binding on Borrower, or any provision of the organizational documents of the Borrower, or will conflict with or constitute a breach of or a default under any agreement to which the Borrower is a party, or will result in the creation or imposition of any lien upon any assets or property of the Borrower, other than liens established pursuant to the Loan Documents.

(f) Pending Proceedings. Except as disclosed in writing to LOMOD South prior to execution of this Agreement, to the knowledge of the Borrower, the Borrower is not in default under any law or regulation or under any order of any court, board, commission, or agency whatsoever, and, to the best of its knowledge, there are no claims, actions, suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or the Project, at law or in equity, before or by any court, board, commission, or agency whatsoever.

(g) No Debarment. Neither the Borrower nor the Administrative General Partner nor the Managing General Partner has been debarred or suspended pursuant to 2 C.F.R. Part 2424.

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

ARTICLE 7 GENERAL PROVISIONS

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

Section 7.2 No Claims. Nothing contained in this Agreement shall create or justify any claim against LOMOD South by any person that the Borrower may have employed or with
whom the Borrower may have contracted relative to the purchase of materials, supplies, or equipment, or the furnishing or the performance of any work or services with respect to the acquisition of the Property, the construction of the Improvements, or the operation of the Project, and the Borrower shall include similar requirements in any contracts entered into for the acquisition of the Property, the construction of the Improvements, or the operation of the Project.

Section 7.3 Amendments. No alteration or variation of the terms of this Agreement shall be valid unless made in writing by the Parties.

Section 7.4 Indemnification. Notwithstanding any other provision of this Agreement to the contrary, Borrower shall defend, indemnify and hold harmless LOMOD South and its commissioners, its officer(s), employee(s), agent(s), contractor(s), and director(s) from all claims, actions, demands, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by an act or omission of the Borrower, its agent(s), contractor(s), servant(s), or employee(s) which constitutes a breach of the Borrower’s obligations under this Agreement. If any third-party performing work for the Borrower on the Project shall assert any claim against LOMOD South on account of any damage alleged to have been caused by reason of the negligent acts or intentional misconduct of the Borrower, its agent(s), servant(s), employee(s) or contractor(s) (including, without limitation, its general contractor), the Borrower shall defend at its own expense any suit based upon such claim; and if any judgment or claim against LOMOD South based on such claim shall be allowed, the Borrower shall pay or satisfy such judgment or claim and pay all reasonable costs and expenses in connection therewith including attorneys’ fees. The obligations, indemnities, and liabilities of the Borrower under this Section 7.4 shall not extend to any liability caused by the negligence or misconduct of LOMOD South or its employee(s), contractor(s) or agent(s). The Borrower’s liability shall not be limited by any provisions or limits of insurance set forth in this Agreement. The provisions of this Section 7.4 shall survive the expiration of the Term.

Section 7.5 Non-Liability of LOMOD South Officials, Employees and Agents. No member, official, employee or agent of LOMOD South shall be personally liable to the Borrower in the event of any default or breach by LOMOD South or for any amount which may become due to the Borrower or its successor or on any obligation under the terms of this Agreement.

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

Section 7.7 Discretion Retained By LOMOD South. LOMOD South's execution of this Agreement in no way limits the discretion of LOMOD South in the review and approval process in connection with development of the Project.

Section 7.8 Conflict of Interest.

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

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

Section 7.9 Notices, Demands and Communications. Formal notices, demands, and communications between the Parties shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

LOMOD South: Los Angeles LOMOD South, Inc.
2600 Wilshire Blvd., Fourth Floor
Los Angeles, CA 90057
Attn: Tina Smith-Booth, President

Borrower: Topanga Canyon Housing Partners, LP
c/o Los Angeles LOMOD South, Inc.
2600 Wilshire Blvd., Fourth Floor
Los Angeles, CA 90057
Attn: Tina Smith-Booth, President

With copies to: PHK SUP8 LLC
7843 Lankershim Blvd.
North Hollywood, CA 91605
Attn: Stephanie Klasky-Gamer

La Cienega LOMOD, Inc.
2600 Wilshire Blvd., Fourth Floor
Los Angeles, CA 90057
Attn: Tina Smith-Booth, President

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

Section 7.10 Applicable Law. This Agreement shall be governed by the laws of the state of California.
Section 7.11 Parties Bound. Except as otherwise limited herein, the provisions of this Agreement shall be binding upon and inure to the benefit of the Parties and their heirs, executors, administrators, legal representatives, successors, and assigns. This Agreement is intended to run with the land and shall bind the Borrower and its successors and assigns in the Property and the Improvements for the entire Term, and the benefit hereof shall inure to the benefit of LOMOD South and its successors and assigns.

Section 7.12 Reserved.

Section 7.13 Severability. If any term of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the Parties have been materially altered or abridged by such invalidation, voiding, or unenforceability.

Section 7.14 Force Majeure. In addition to specific provisions of this Agreement, performance by either Party shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; quarantine restrictions; freight embargoes; lack of transportation; or court order; actions or inactions of HUD; or any other similar causes (other than lack of funds of the Borrower or the Borrower's inability to finance the construction of the Project) beyond the control or without the fault of the Party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the Party claiming such extension is sent to the other within fifteen (15) days from the commencement of the cause and such extension of time is not rejected in writing by the other Party within fifteen (15) days of receipt of the notice. In no event shall LOMOD South be required to agree to cumulative delays in excess of one year.

Section 7.15 LOMOD South Approval. This Loan has been approved by the LOMOD South Board of Directors ("LOMOD South Board") pursuant to Resolution No. _____. Whenever this Agreement calls for LOMOD South approval, consent, or waiver, the written approval, consent, or waiver of LOMOD South’s President shall constitute the approval, consent, or waiver of LOMOD South, without further authorization required from LOMOD South Board. LOMOD South hereby authorizes LOMOD South’s President to deliver such approvals or consents as are required by this Agreement, or to waive requirements under this Agreement, on behalf of LOMOD South. Any consents or approvals required under this Agreement shall not be unreasonably withheld or made, except where it is specifically provided that a sole discretion standard applies. LOMOD South’s President is also hereby authorized to approve, on behalf of LOMOD South, requests by the Borrower for reasonable extensions of time deadlines set forth in this Agreement. LOMOD South shall not unreasonably delay in reviewing and approving or disapproving any proposal by the Borrower made in connection with this Agreement.

Section 7.16 Waivers. Any waiver by LOMOD South of any obligation or condition in this Agreement must be in writing. No waiver will be implied from any delay or failure by LOMOD South to take action on any breach or default of the Borrower or to pursue any remedy allowed under this Agreement or applicable law. Any extension of time granted to the Borrower to perform any obligation under this Agreement shall not operate as a waiver or release from any of its obligations under this Agreement. Consent by LOMOD South to any act or omission by the
Borrower shall not be construed to consent to any other or subsequent act or omission or to waive the requirement for LOMOD South's written consent to future waivers.

Section 7.17 Title of Parts and Sections. Any titles of the sections or subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in interpreting any part of this Agreement's provisions.

Section 7.18 Entire Understanding of the Parties. This Agreement constitutes the entire understanding and agreement of the Parties with respect to the Loan.

Section 7.19 Multiple Originals; Counterpart. This Agreement may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

Section 7.20 Exhibits. Exhibits A, B, C, D, and E are incorporated into and hereby made a part of this Agreement.

[signature page follows]
WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

LOMOD SOUTH

LOS ANGELES LOMOD SOUTH, INC., a California nonprofit public benefit corporation

By: Tina Smith-Booth, President

BORROWER

TOPANGA CANYON HOUSING PARTNERS, LP

By: PHK SUP8 LLC, a California limited liability company, its managing general partner

By:

Stephanie Klasky-Gamer, President & CEO

APPROVED AS TO FORM

By: John Nosco, Senior Staff Attorney

By:

Tina Smith-Booth, President
EXHIBIT A: Legal Description of Property

LOTS 1, 2 AND 3 OF TRACT NO. 22661, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAPRecorded in Book 723 Pages 40 AND 41 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY AND AS AMENDED BY CERTIFICATION OF CORRECTION RECORDED MARCH 26, 1968 AS INSTRUMENT NO. 3625, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 2012-022-020 AND 2012-022-024
EXHIBIT B:  Approved Development Budget

Contract for Construction TC-2022-99-MX

[Attached]
EXHIBIT C: Schedule of Performance for the Improvements
EXHIBIT D: Form of Draw Request
EXHIBIT E:  Form of LOMOD Bridge Note
LOMOD PROMISSORY NOTE
(Topanga Canyon Housing Partners, LP)

$2,876,549.00 Los Angeles, California
As of ___________, 2022

FOR VALUE RECEIVED, the undersigned (the “Borrower”) promises to pay the principal sum of up to Two Million Eight Hundred Seventy-Six Thousand Five Hundred Forty-Nine Dollars ($2,876,549.00) (the “LOMOD Bridge Loan”), or so much thereof as may be advanced to the Borrower pursuant to this Promissory Note (this “Note”) and that certain LOMOD Loan Agreement by and between the Borrower and Los Angeles LOMOD South, Inc. (the “Lender”) dated of even date herewith (the “Loan Agreement”), with interest as provided herein from the date above upon the unpaid balance of this Note, in lawful money of the United States.

(1) Capitalized terms used but not defined herein shall have the meaning set forth in the Loan Agreement.

(2) Funds shall be advanced during the term hereof in accordance with Section 2.7 of the Loan Agreement.

(3) Payment Terms.

(a) All payments due under this Note shall be paid to the order of Los Angeles LOMOD South, Inc. at 2600 Wilshire Boulevard, Fourth Floor, Los Angeles, CA 90057 or at such other place as the Lender hereof may from time to time designate in writing.

(b) Interest shall accrue on the unpaid principal balance from the date of the first borrowing under the Loan Agreement at a rate of five percent (5%) per annum, compounded monthly (the “Interest Rate”).

(c) Payments of principal and any accrued interest shall be due and payable under this Note as follows:

(i) Immediately upon Conversion, the LOMOD Bridge Loan shall be due and payable from the proceeds of permanent financing for the Project, if any, pursuant to the Loan Agreement; provided, however, that if proceeds of permanent financing for the Project are insufficient to repay the entire LOMOD Bridge Loan, the remaining balance of the LOMOD Bridge Loan shall be repaid in accordance with subsection (ii) of this Section (c); and

(ii) Commencing the year following Conversion, any remaining unpaid principal and interest under the LOMOD Bridge Loan shall be due and payable from Net Cash Flow to the extent available, pursuant to Exhibit A hereto. Such payments shall be applied first to accrued interest, if any, then to principal, and shall be payable annually not later than one hundred twenty (120) days following the end of each fiscal year for the prior annual fiscal period.
(4) If borrowings under this Note are not repaid in full at the time of Conversion, payment of this Note shall be secured by an LOMOD Subordinate Leasehold Deed of Trust (the “Deed of Trust”) between the Borrower and the Lender to be executed at Closing, encumbering a leasehold interest in certain real property and fee interest in certain improvements located in the City of Los Angeles, County of Los Angeles, State of California, recorded in the official land records of the County of Los Angeles, as well as by other instruments defined in the Loan Agreement as the Loan Documents.

(5) Default.

(a) Subject to the notice and cure periods set forth in the Loan Agreement, any of the following shall constitute an “event of default” under this Note:

(i) Any failure to pay, in full, any payment required under this Note within ten (10) days of written notice that such payment is due;

(ii) The occurrence of any “Default” under the Loan Agreement as defined therein, “Event of Default” under the Deed of Trust as defined therein, or breach or violation of any other instrument securing the obligations of the Borrower under this Note or under any other promissory notes hereafter issued by the Borrower to the Lender pursuant to the Loan Agreement or the Deed of Trust, following the expiration of notice and cure periods, if any, set forth therein.

(b) Upon the occurrence of such an event of default, the entire unpaid principal balance, together with all interest thereon, and together with all other sums then payable under this Note and the Deed of Trust shall at the option of the Lender become immediately due and payable upon written notice by the Lender to the Borrower without further demand.

(c) The failure to exercise the remedy set forth in Subsection 5(b) above or any other remedy provided by law upon the occurrence of one or more of the foregoing events of default shall not constitute a waiver of the right to exercise any remedy at any subsequent time in respect to the same or any other default. The acceptance by the Lender hereof of any payment which is less than the total of all amounts due and payable at the time of such payment shall not constitute a waiver of the right to exercise any of the foregoing remedies or options at that time or at any subsequent time, or nullify any prior exercise of any such remedy or option, without the express consent of the Lender, except as and to the extent otherwise provided by law.

(6) Waivers.

(a) The Borrower hereby waives diligence, presentment, protest and demand, and notice of protest, notice of demand, and notice of dishonor of this Note. The Borrower expressly agrees that this Note or any payment hereunder may be extended from time to time and that the Lender may accept further security or release any security for this Note, all without in any way affecting the liability of the Borrower.

(b) No extension of time for payment of this Note or any installment hereof made by agreement by the Lender with any person now or hereafter liable for payment of this
Note shall operate to release, discharge, modify, change, or affect the original liability of the Borrower under this Note, either in whole or in part.

(c) The obligations of the Borrower under this Note shall be absolute and the Borrower waives any and all rights to offset, deduct, or withhold any payments or charges due under this Note for any reason whatsoever.

(7) Miscellaneous Provisions.

(a) All notices to the Lender or the Borrower shall be given in the manner and at the addresses set forth in the Loan Agreement, or to such addresses as the Lender and the Borrower may hereinafter designate. Copies of notices to the Borrower from the Lender shall also be provided by the Lender to any limited partner of the Borrower who requests such notice in writing and provides the Lender with written notice of its address.

(b) The Borrower promises to pay all costs and expenses, including reasonable attorney's fees, incurred by the Lender in the enforcement of the provision of this Note, regardless of whether suit is filed to seek enforcement.

(c) This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, or discharge is sought.

(d) This Note shall be governed by and construed in accordance with the laws of the State of California.

(e) The times for the performance of any obligations hereunder shall be strictly construed, time being of the essence.

(f) This document, together with the Loan Documents, contains the entire agreement between the parties as to the LOMOD Bridge Loan. It may not be modified except upon written consent of the parties.

(g) Except as provided below, neither the Borrower nor any partner of the Borrower shall have any direct or indirect personal liability for payment of the principal of, or interest on, the LOMOD Bridge Loan or the performance of the covenants of the Borrower under the Deed of Trust. The sole recourse of the Lender with respect to the principal of, or interest on, this Note and defaults by the Borrower in the performance of its covenants under the Deed of Trust shall be to the property described in the Loan Agreement and the Deed of Trust; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for this Note of all the rights and remedies of the Lender thereunder, or (b) be deemed in any way to impair the right of the Lender to assert the unpaid principal amount of this Note as demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on this Note and the performance of the Borrower's
obligations under the Deed of Trust, except as hereafter set forth; nothing contained herein is intended to relieve the Borrower of its obligation to indemnify the Lender under Section 7.4 of the Loan Agreement, or for liability for: (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the Property that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the fair market value of any personal property or fixtures removed or disposed of by the Borrower other than in accordance with the Deed of Trust; and (iv) the misappropriation of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property.

(h) Notwithstanding any other provisions of this Note, all liens, claims, charges, and priorities related to the LOMOD Bridge Loan contemplated by this Note shall be subordinate and junior to all liens, claims, charges, and priorities related to the permanent loan.

(i) Exhibit A, attached hereto, is hereby incorporated into this Note.

[Signature Page Follows]
IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered on the date set forth above.

BORROWER:

TOPANGA CANYON HOUSING PARTNERS, LP,
a California limited partnership

By: PHK SUP8 LLC,
a California limited liability company
its managing general partner

By: _______________________________

Stephanie Klasky-Gamer,
President & CEO

By: Los Angeles LOMOD South, Inc.,
a California nonprofit public benefit corporation,
its administrative general partner

By: _______________________________

Tina Smith-Booth
President
Exhibit A

Distribution of Net Cash Flow

Distribution of Net Cash Flow shall be pursuant to the terms of the Agreement of Limited Partnership of Topanga Canyon Partners, LP, as from time to time amended. For the purposes of repayment, borrowings under the Loan Agreement shall be treated as Advance Loan borrowings under Section 7(c) of the Agreement of Limited Partnership executed March 5, 2021, and shall be subject to repayment as an Advance Loan under the provisions of Section 9(a) of that agreement.