AGENDA REPORT

Meeting Date: September 23, 2008

Item Number: F-7

To: Honorable Mayor & City Council

From: Jonathan Lait, AICP, City Planner

Subject: A GRANT AGREEMENT AND A REGULATORY AGREEMENT WITH UPWARD BOUND HOUSE FOR ACQUISITION OF A PROPERTY TO BE THE LOCATION OF AN EMERGENCY FAMILY SHELTER; AND

APPROVAL TO ISSUE A PURCHASE ORDER IN THE TOTAL AMOUNT OF $200,000 TO UPWARD BOUND HOUSE

Attachments:
1. Grant Agreement
2. Promissory Note
3. Deed of Trust
4. Regulatory Agreement

RECOMMENDATION

Staff recommends that the City Council approve the execution of documents with Upward Bound House for acquisition of property located in the City of Culver City to be the site of an Emergency Family Shelter. The City's portion of the acquisition cost to be reimbursed with Community Development Block Grant (CDBG) funds is in the amount of $200,000.00.

INTRODUCTION

CDBG funds are federal funds provided to local governments primarily to assist low and moderate-income persons or areas. The City receives its CDBG allocation through the Los Angeles County Community Development Commission (LACDC), which administers the program.

On January 29, 2008, the City Council adopted Resolution No. 08-R-12478 which amended the FY 2007-08 CDBG Planning Summary to include funds in the amount of $200,000 for acquisition of the property for use as an Emergency Family Shelter.

On August 4, 2008, the LACDC approved an Agreement to Implement the Upward Bound House Project with the City of Beverly Hills.

DISCUSSION

About the Project

Upward Bound House plans to purchase the existing Sun Bay Motel, located at 12841 W. Washington Boulevard in Culver City, and change the use from a motel to an Emergency Family Shelter for minor children and their families. Residents of the new facility will be families in crisis. Each family will have its own secure place where the children will be safe while the parents work daily with case managers to identify permanent housing solutions.

Many other funders including City of Santa Monica (CDBG funds), City of LA (CDBG funds) and the County of LA (County Supervisor funds administered through the LACDC) will participate in the acquisition.

Upward Bound House

Upward Bound House is a community based, nondenominational 501C(3) nonprofit social service agency founded to address unmet housing and social service needs of homeless and very low income elderly in the region, and to assist in funding a regional Emergency Family Shelter in nearby Culver City. The project qualifies for the City's accumulated CDBG project funds benefiting low and moderate income individuals.

Notification

The CDBG requirements for citizen participation in the application process were met by publishing announcements in The Beverly Hills Courier on January 25, 2008, and posting a notice in public buildings on January 18, 2008 for the January 29, 2008 City Council meeting. The City also sent an informational letter regarding projects proposed for CDBG funding to Beverly Hills community organizations.

CDBG Program Update

In the last fiscal year, the LACDC notified the City that it did not properly follow certain administrative procedures set forth by the county agency, which resulted in some CDBG funds being recaptured. Recaptured funds are not reimbursable to the city through the CDBG program. City staff appealed this decision to the LACDC and was successful in having the amount reduced from $289,958 to $166,100. The appeal was granted based in part on the City's continued support for the subject Upward Bound project and development of a work plan that will ensure the City's future compliance with the county agency's administrative procedures. To further reduce direct costs to the city, staff is seeking to exchange approximately $142,450 of unallocated CDBG funds with another public agency participating in the CDBG program. The exchange rate is anticipated to be approximately 55 cents to the dollar. None of the City's CDBG programs were adversely affected by this administrative oversight and sufficient funds remain available to support our current and anticipated programs. However, following the recapture, which has already occurred, and the anticipated fund exchange, the City's unreimbursed amount will be approximately $87,000 for the 2007-2008 fiscal year. In addition to having a LACDC approved work plan for the current fiscal year, the Community Development Department has made changes to its oversight and management of the CDBG program to ensure compliance with LACDCs requirement and prevent future funds from being recaptured.

Environmental Assessment

Environmental assessment of all CDBG-funded programs is performed by the LACDC and has been completed.

FISCAL IMPACT

All City funding for acquisition of this property will be reimbursed to the City from the LACDC.

Scott Miller
Finance Approval

Jonathan Lait
Approved By

Attachment 1

Grant Agreement

GRANT AGREEMENT

by and between

the City of Beverly Hills
and
UPWARD BOUND HOUSE

12841 West Washington Boulevard
20 units; acquisition
(CDBG Program)

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GRANT AGREEMENT

[Acquisition; 20 units]

(CDBG Program)

This GRANT AGREEMENT ("Agreement"), entered into as of _____, 20___, by and between the City of Beverly Hills, a municipal corporation ("City"), and Upward Bound House, a California nonprofit public benefit corporation ("UPWARD BOUND HOUSE"), is made with reference to the following:

RECITALS

A. The City receives funds through the Los Angeles County Community Development Block Grant Program ("CDBG") which may be granted to nonprofit affordable housing developers to preserve and develop affordable housing through the acquisition and rehabilitation of affordable housing and through the construction of new affordable housing. The source of funds for the grant contemplated by this Agreement are CDBG funds received from the federal government.

B. UPWARD BOUND HOUSE is under contract to purchase and will become the fee simple owner of certain real property located within the City of Culver City commonly known as 12841West Washington Boulevard, Culver City, California (the "Property") and more particularly described in Exhibit A.

C. UPWARD BOUND HOUSE has applied to the City and been approved for a grant ("Grant") pursuant to the City's CDBG Program Guidelines in the amount of TWO HUNDRED THOUSAND AND NO/DOLLARS ($200,000.00) to fund acquisition of the Property, and intends to acquire, rehabilitate, and operate an eighteen (18) unit regional emergency shelter for homeless families with children with two (2) resident managers ("Project"). The City has agreed to make the Grant to the UPWARD BOUND HOUSE to ensure operation of the Project as affordable multifamily housing for at least ten (10) years in accordance with that certain Regulatory Agreement entered into by the parties of even

date herewith (the "Regulatory Agreement"). UPWARD BOUND HOUSE shall have no obligation to repay the Grant, except in the case of a default under this Agreement or any of the instruments described below in Recital E.

D. UPWARD BOUND HOUSE shall rehabilitate the Project in accordance with the approved plan of work ("Plan of Work") set forth in Exhibit B. The timing and phasing of the Project, including the construction work, shall conform to the project schedule ("Project Schedule") set forth in Exhibit C.

E. This Agreement, together with the Promissory Note ("Note"), the Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents ("Deed of Trust"), and the Regulatory Agreement, all entered into by and between City and UPWARD BOUND HOUSE, set forth the requirements of the Grant.

F. As an inducement to the City to make the Grant, UPWARD BOUND HOUSE has agreed to enter into this Agreement, the Note, the Deed of Trust, and the Regulatory Agreement and has agreed to the performance of the terms and conditions set forth therein.

G. UPWARD BOUND HOUSE acknowledges that in obtaining the Grant, UPWARD BOUND HOUSE has received a direct financial benefit from the City. UPWARD BOUND HOUSE and City agree and acknowledge that this Agreement is a contract providing forms of assistance to UPWARD BOUND HOUSE within the meaning of Civil Code Section 1954.52 (b).

H. By entering into this Agreement, the City contemplates receiving credit toward fulfilling the City's emergency shelter need as part of the Housing Element of the City's General Plan as permitted by the Department of Housing and Community Development for cities participating in multi-jurisdictional emergency shelter projects.

NOW THEREFORE, it is mutually agreed by and between the undersigned as follows:

1. TERM OF AGREEMENT

The term of this Agreement shall commence on the date of execution hereof and shall terminate (provided that no Event of Default as described in Section 10 has occurred) upon satisfaction of all of the following.

(i) Recordation of a notice of completion by UPWARD BOUND HOUSE, pursuant to California Civil Code Section 3093 ("Notice of Completion");

(ii) Final inspection and confirmation by the City's Community Development Director that the Project complies with the terms and conditions of this Agreement;

(iii) Final approval by the Culver City Building Division for any building permits issued in conjunction with the rehabilitation of this Project;

(iv) Expiration of the applicable time for filing of mechanic's liens as provided in California Civil Code Section 3082 et seq ("Lien Period"); and

(v) Proof of payment of all contractors and material suppliers for the Project, including unconditional lien releases from all contractors and material suppliers who have filed a preliminary notice on the Property pursuant to California Civil Code Section 3097 ("Preliminary Notice").

The termination of this Agreement is conditioned on UPWARD BOUND HOUSE's compliance with the terms and conditions of the Regulatory Agreement and subject to the provisions of the Note and the Deed of Trust.

2. CONDITIONS PRECEDENT TO FUNDING THE GRANT

The City agrees to close escrow and to fund the Grant toward acquisition of the Property upon receipt from UPWARD BOUND HOUSE of the following documents, items and funds, together with any additional documents, instructions and funds necessary to comply with this Agreement:

(i) The Regulatory Agreement executed by City and UPWARD BOUND HOUSE to be recorded in the Official Records of the Los Angeles County Recorder;

(ii) The Deed of Trust executed by UPWARD BOUND HOUSE ("Trustor" therein) for the benefit of City ("Beneficiary" therein) to be recorded in the Official Records of the Los Angeles County Recorder;

(iii) The Note executed by the UPWARD BOUND HOUSE in the total amount of TWO HUNDRED THOUSAND AND NO/DOLLARS ($200,000) and secured by the Deed of Trust;

(iv) The most recently revised estimated cost breakdown reflecting acquisition and rehabilitation hard and soft costs for the Project and funding sources as shown in the approved project budget ("Approved Project Budget"), attached as Exhibit D;

(v) A CLTA Lender's Title Insurance Policy in the aggregate amount of the Grant;

(vi) A liability insurance policy in a form acceptable to the City, written by an insurance company acceptable to the City, naming the City as a Loss Payee and as an Additional Insured Party and in accordance with the UPWARD BOUND HOUSE Insurance Requirements set forth in Exhibit E attached hereto;

(vii) City receipt and approval of a Phase 1 Environmental Site Assessment acceptable to the City in its sole discretion (acknowledges receipt and approval of such)

(viii) City review and approval of an "as-is" appraisal prepared by a licensed appraiser retained by UPWARD BOUND HOUSE (acknowledges receipt and approval of such);

(ix) Compliance with CEQA, if applicable;

(x) Evidence satisfactory to City that UPWARD BOUND HOUSE has satisfied all other conditions precedent to funding of the Grant as contained in the Note and the Deed of Trust.

(xi) Evidence satisfactory to City that UPWARD BOUND HOUSE is in compliance with all applicable provisions of federal, state, and municipal law; and

3. FUNDING OF THE GRANT

After the City receives and approves all of the documents and items specified in Section 2, City shall close escrow for the Grant and disburse TWO HUNDRED THOUSAND AND NO/DOLLARS ($200,000) directly into the escrow for UPWARD BOUND HOUSE'S acquisition of the Property.

4. SUBORDINATION; APPROVAL OF REFINANCING

A. Subordination. The City may, in City's sole discretion from time to time, agree to subordinate its Deed of Trust and Regulatory Agreement to a conventional commercial lender and public sector lenders under terms and conditions to be approved by the City, provided that the terms of the subordination allow the City such remedies, including notice from the conventional lender or other lender and a reasonable opportunity to cure any default, as the City deems adequate in the City's sole discretion. The City acknowledges that the Deed of Trust will be in fourth position, junior to deeds of trust in favor of the State of California/EHAP, the City of Los Angeles and the City of Santa Monica, all of which have provided funding to the Project.

B. Approval of Refinancing. If at any time during the term of this Agreement, UPWARD BOUND HOUSE proposes to refinance any of the existing indebtedness on the Property or intends to borrow additional funds after commencement of the term of this Agreement, the City must be notified prior to application submittal and the City shall review and determine whether, in its sole discretion, to approve the terms and conditions of the new financing and the proposed uses of any proceeds. The City shall not unreasonably withhold its approval if: (i) the terms and conditions of the additional loan or refinanced loan

provide the City with such remedies as the City deems adequate in the City's sole discretion; (ii) the additional loan or refinanced loan is consistent with the Program objectives; (iii) the UPWARD BOUND HOUSE is not taking cash out of the equity of the Property; and (iv) the additional indebtedness will not impair the security of the City's Deed of Trust. This Section 4 shall survive the termination of this Agreement.

5. REHABILITATION

A. Conditions Precedent to Commencing Work. UPWARD BOUND HOUSE shall not commence the rehabilitation work until City has received and approved the following, which approval shall not be unreasonably withheld:

(i) A line item breakdown of the most recently revised rehabilitation hard costs, as shown in line item 3 in the Approved Project Budget (Exhibit D), which reflects the cost of the rehabilitation work outlined in the Plan of Work (Exhibit B);

(ii) Evidence that General Contractor or UPWARD BOUND HOUSE has procured an "All-Risk" Builder's Risk insurance policy in a form acceptable to City, written by an insurance company acceptable to City, naming City as a Loss Payee and as an Additional Insured Party and in accordance with the Contractor Insurance Requirements set forth in Exhibit F attached hereto; and,

B. Plan of Work. UPWARD BOUND HOUSE shall carry out the Plan of Work in accordance with the plans and specifications approved by City and meeting all requirements of all governmental authorities having or asserting jurisdiction, and shall pay all of the costs thereof. If there is any variation between any such governmental requirements and the plans and specifications approved by City, then UPWARD BOUND HOUSE shall satisfy the strictest requirements. UPWARD BOUND HOUSE shall deliver the Plan of Work to City for review and approval no later than the close of escrow and the funding of the Grant.

C. Schedule of Work; Completion. UPWARD BOUND HOUSE shall commence the rehabilitation work within a reasonable time after the closing of escrow for

the Property and the recordation of the Deed of Trust or reasonably promptly thereafter, and shall prosecute the work to completion with reasonable speed and in a worker-like manner in accordance with the Project Schedule, subject to force majeure delays. Any changes in the Project Schedule must be approved by City. When UPWARD BOUND HOUSE notifies City that the rehabilitation work has been completed, UPWARD BOUND HOUSE and the City will conduct a walk-through to ascertain that the rehabilitation work has been completed in accordance with the Plan of Work and the Rehabilitation Contract and found to be acceptable to all parties. Upon City's acceptance of the rehabilitation work, UPWARD BOUND HOUSE shall promptly record a Notice of Completion with the Los Angeles County Recorder's Office.

E. Funding of Deferred Project Costs. All City funds hereunder will be disbursed at the acquisition closing for the Property.

F. Outside Financing. All other funds for the balance of the acquisition of the Property and for the rehabilitation and operation of the Project will come from non-City sources.

6. GENERAL CONTRACTOR

For the performance of any rehabilitation work on the Project requiring a general contractor, UPWARD BOUND HOUSE agrees to only use a general contractor licensed by, and in good standing with, the California Contractor's State License Board ("General Contractor") and licensed subcontractors.

7. INDEMNIFICATION AND HOLD HARMLESS

A. UPWARD BOUND HOUSE shall indemnify, defend and hold harmless the City and members of the City Council, together with the City's boards and commissions, officers, directors, agents, representatives and employees (collectively the "Indemnitees") from and against any and all loss, damages, liability, claims, suits, costs and expenses, whatsoever, including reasonable attorneys fees, regardless of the merit or outcome of any such claim or suit, arising from or in any manner connected to the

acquisition or operation of the Project regardless of the active or passive negligence of the Indemnitees, except as otherwise stated herein.

B. UPWARD BOUND HOUSE shall not be required to indemnify the Indemnitees for claims and losses arising from the Indemnitee's sole active gross negligence, or willful or malicious acts of misconduct.

C. The indemnification provided by this Section shall commence on the date the Grant is funded and shall terminate one year after the date on which the City reconveys the Deed of Trust; however, UPWARD BOUND HOUSE shall defend, indemnify and hold harmless the Indemnitees for all claims based upon occurrences alleged prior to such date. This duty to indemnify shall survive the termination of this Agreement.

8. DEFAULT BY UPWARD BOUND HOUSE; NOTICE AND CURE PERIODS

A. Event of Default.

The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(i) UPWARD BOUND HOUSE's failure to perform any obligation under this Agreement, the Deed of Trust, the Note, the Regulatory Agreement or any other agreement between the parties executed in connection with the Grant;

(ii) UPWARD BOUND HOUSE becomes the subject of an order of relief by a bankruptcy court, or is unable or admits its inability to pay its liabilities as they mature, or makes an assignment for the benefit of its creditors;

(iii) UPWARD BOUND HOUSE applies or consents to the appointment of any receiver, custodian or liquidator or such is appointed without the application or consent of UPWARD BOUND HOUSE and the appointment continues undischarged or unstayed for a period of 120 days;

(iv) UPWARD BOUND HOUSE institutes any bankruptcy, insolvency, reorganization, dissolution, liquidation or similar proceedings, or any similar proceeding is instituted without the consent of UPWARD BOUND HOUSE, and continues undischarged or unstayed for a period of 120 days; or

(v) UPWARD BOUND HOUSE is in default under any other document or security instrument (a) relating to the acquisition, ownership, rehabilitation, operation or financing of the Project; or (b) secured now or later against the Property.

B. Notice of Event of Default.

Prior to declaring an Event of Default, the City shall give written notice thereof ("Notice of Default") to the UPWARD BOUND HOUSE and to any lender who has requested such notice by certified mail addressed to the UPWARD BOUND HOUSE at the address stated in this Agreement and to any lender requesting such notice at the address set forth in the request for notice from such lender, or such other addresses as may have been designated by such parties from time to time in writing. The written Notice of Default shall specify the nature of the default, the remedial actions necessary to cure the default, and a reasonable time period (not less than the time periods set forth in Section 8.C below) after receipt of the Notice of Default to commence remedial actions. If the default is not cured to the reasonable satisfaction of the City within the cure period, the City may, without further prior notice, declare in writing an Event of Default under this Agreement effective on the date of such declaration.

C. Cure Period.

The following shall constitute the cure periods under this Agreement:

(i) The cure period for UPWARD BOUND HOUSE's failure to pay any monetary obligation shall be ten (10) days after City gives UPWARD BOUND HOUSE written notice of such failure to pay; and

(ii) The cure period for UPWARD BOUND HOUSE's failure to perform any non-monetary obligation shall be thirty (30) days after City gives UPWARD BOUND

HOUSE written notice of such failure to perform; provided, however, in the event UPWARD BOUND HOUSE cannot reasonably cure such failure within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder so long as UPWARD BOUND HOUSE commences to cure such failure within such thirty (30) day period and thereafter diligently prosecutes such cure to completion to the satisfaction of the City.

D. City's Rights Upon Event of Default.

Upon the declaration of any Event of Default hereunder, the City shall have the rights and remedies set forth in this Agreement, as well as any right or remedy provided for in the Deed of Trust, by law, or in equity. In addition, the City shall be released from any and all obligations to the UPWARD BOUND HOUSE under the terms of this Agreement and the City may terminate this Agreement forthwith by giving written notice thereof to the UPWARD BOUND HOUSE.

E. Remedies Cumulative.

The remedies of the City herein, or under any other instrument providing for or evidencing the financial assistance provided herein, are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of all remedies and shall not preclude the exercise by the City of any one or more of its other remedies.

F. Non Recourse.

The parties intend that the Note secured by the Deed of Trust shall be a non-recourse note. Therefore, the City's remedy in an Event of Default under the Deed of Trust or the Note secured thereby or the Regulatory Agreement shall be limited to foreclosure of the Property encumbered by the Deed of Trust or the exercise of power of sale and the other rights granted under the Deed of Trust, and the City shall have no right to obtain a deficiency judgment after such a foreclosure. This provision shall not apply in the event of UPWARD BOUND HOUSE's fraud, willful misrepresentation, misapplication of funds, waste or intentional damage to the Property.

9. PROHIBITION AGAINST TRANSFER

This Agreement is binding upon the parties hereto and their respective successors and assigns. UPWARD BOUND HOUSE shall not assign, sublease, hypothecate, or transfer this Agreement or any interest herein directly or indirectly, by operation of law or otherwise, without the prior written consent of the City which may be withheld in the City's sole discretion. Any attempt to do so without said consent shall be null and void, and any assignee, sublessee, hypothecatee or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. Any remaining balance of the Grant shall become due and payable in full upon any assignment, sublease, sale or transfer of ownership of the Property. Notwithstanding the foregoing, UPWARD BOUND HOUSE may enter into residential leases and laundry leases in accordance with the terms of the Regulatory Agreement for individual units in the ordinary course of business for the Project without the prior written consent of the City.

10. CONSTRUCTION NOTICES

UPWARD BOUND HOUSE agrees that copies of all Preliminary Notices delivered to UPWARD BOUND HOUSE, or to the Property addressed to the City or to "Private Lender" shall be promptly delivered to the City. UPWARD BOUND HOUSE further agrees that the City's agents shall have the right at all times to enter upon the Property and post notices of non-responsibility pursuant to California Civil Code Section 3094 or such other notices and other written or printed material thereon as City may deem reasonably necessary or desirable for its protection. This Section 10 shall survive the termination of this Agreement.

11. TIME OF ESSENCE

Time is of the essence in this Agreement and each and every provision hereof. The waiver by the City of any breach or breaches hereof shall not be deemed nor shall the same constitute a waiver of any subsequent breach or breaches.

12. INTEGRATED AGREEMENT

This Agreement is made for the sole benefit and protection of UPWARD BOUND HOUSE and the City and their successors and assigns, and no other person shall have any right of action or right to rely thereon. This Agreement, the Note, the Deed of Trust, and the Regulatory Agreement contain all of the terms and conditions agreed upon between the parties, and no other agreement regarding the subject matter hereof shall be deemed to exist or bind any party unless in writing and signed by the parties and approved as to form by the City Attorney.

13. GENDER

Wherever the context of this Agreement requires, the singular shall include the plural and the masculine gender shall include the feminine and/or neuter.

14. NOTICES

All notices required to be given herein shall specify the address of the Property and shall be deemed served upon personal service or five (5) calendar days after deposit in certified first-class United States mail, postage prepaid, and addressed to the parties as follows:

UPWARD BOUND HOUSE:	Upward Bound House 1104 Washington Avenue Beverly Hills, CA 90403 Attn: Executive Director
City:	City of Beverly Hills 455 N. Rexford Drive Beverly Hills, California 90210 Attn: City Manager
With copies to:	City of Beverly Hills 455 N. Rexford Drive Beverly Hills, California 90210 Attn: Erwina Brillantes

15. GOVERNING LAW

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

16. COST OF LITIGATION

If any legal action is necessary to enforce any provision hereof, or for damages by reason of an alleged breach of any provisions of this Agreement, the prevailing party shall be entitled to receive from the losing party all costs and expenses and such amount as the court may adjudge to be reasonable attorneys' fees for the costs incurred by the prevailing party in such action or proceeding. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys' fees paid to third parties.

17. AMENDMENT

This Agreement shall not be altered or amended except by writing executed between the parties and approved as to form by the City Attorney. No such amendment shall be effective without the prior written approval of the City.

18. PARTIAL INVALIDITY

If any provision of this Agreement shall be found to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

19. WAIVER

No waiver by the City of any breach of or default under this Agreement shall be deemed to be a waiver of any other or subsequent breach thereof or default hereunder.

20. INCORPORATION OF RECITALS AND EXHIBITS

The Recitals set forth above and Exhibits A through F attached hereto are incorporated herein and made a part of the terms and conditions of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Grant Agreement to be executed the day and year first above written.

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

for RMD

_____
City Attorney

APPROVED AS TO CONTENT:

_____
RODERICK J. WOOD
City Manager

CITY:

CITY OF BEVERLY HILLS

By:_____
BARRY BRUCKER
Mayor

DEPARTMENTAL APPROVAL:

By: _____ FOR
Anne Browning McIntosh
Community Development Director
(Interim)

UPWARD BOUND HOUSE:

By: _____
David Snow
Executive Director

EXHIBIT A

Legal Description of Property

The following describes the real property:

LOT 46, 47, 48 and 49 OF TRACT NO. 5951 IN THE CITY OF CULVER CITY, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 77 PAGE 72 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ASSESSOR'S PARCEL NUMBER: 4236-021-001

(For the purposes of complying with Civil Code Section 3097 only, the street address of said property is 12841 West Washington Blvd., Culver City, California 90066.)

EXHIBIT B

Plan of Work

(12841 West Washington Boulevard.)

REHABILITATION WORK
Repair roof; siding and exterior plaster as necessary; repair tile and masonry as necessary per inspection report.
Replace electrical system including main/sub-panels, wiring and outlets, as necessary; replace exterior and interior light fixtures and smoke alarms, as necessary.
As necessary, replace water lines and water heaters, including earthquake strapping; hydro-jet waste lines; install gas meter shut-off valve; replace interior plumbing fixtures.
Repair/Replace windows as necessary with duel-glaze windows; replace interior cabinetry, trim work and interior carpentry as necessary; repair/replace exterior railings and handrails as necessary.
Repaint exterior of building, laundry room and unit interiors; repair parking lot and re-stripe; install new fire extinguishers; landscape as necessary.
Repair/Replace showers, bathroom tile and exhaust fans as necessary; replace carpet and bathroom flooring; replace heating/cooling units, as necessary.
Perform termite treatment; abate asbestos and lead-paint as appropriate.
Install fencing and security cameras as necessary; Install unit appliances, furniture mini refrigerators and microwaves in all units.

EXHIBIT C

Project Schedule – Construction Phase

(12841 West Washington Blvd.)

MONTH 1	Demolition and Abatement. Rough-n for ADA compliant unit.
MONTH 2	Termite abatement. Any exposed foundation corrections. Installation of new plumbing and electrical wiring as needed.
MONTH 3	Reroof community building. Ongoing Installation of new mechanical equipment. Ongoing Installation of the new plumbing. Ongoing Installation of new electrical.
MONTH 4	Patch and repair of the interior drywall. Bathroom finish installation. Exterior Building Envelope Repair (Stucco) . Interior Finish Flooring. Install new water heater and washer/dryer. Finish community kitchen installation.
MONTH 5	Installation of electrical switchgear. Installation of Finish mechanical and plumbing. Repair of exterior finish walkways. Construct ADA sidewalk at crosswalk. Construct new sidewalk and new curb at Washington driveway.
MONTH 6	Install fences and gates. Repair asphalt making it ADA compliant. Finish Interior Paint. Finish Exterior Paint. Construct exterior façade. Landscaping. Install playground mats and playground equipment.

EXHIBIT D

Approved Project Budget

(12841 West Washington Blvd.)

Line Item #	Line Item Description	USES	SOURCES	SOURCES
		Total Cost	CITY	Non-City
1	Acquisition	$ 3,000,000	$200,000	$2,800,000
2	Closing costs/Escrow/ Title	$ 6,000	0	$ 6,000
3	Rehabilitation Hard Costs	$350,000	0	$350,000
4	Inspections & Reports	$ 8,400	0	$ 8,400
5	Admin/Organ & Consultants	$ 7,600	0	$ 7,600
6	Architecture & Engineering	$ 10,000	0	$ 10,000
7	Community Outreach	$ 25,000	0	$ 25,000
8	Local Permits & Fees	$ 12,000	0	$ 12,000
9	Security	$ 15,000	0	$ 15,000
10	Furnishings	$ 16,000	0	$ 16,000
11	[left blank]	$	0	$
12	Capitalized Reserve	$ 40,000	0	$ 40,000
13	Insurance	$13,000	0	$13,000
14	Contingency	$ 62,000	0	$ 62,000
	TOTAL:	$3,565,000	$200,000	$3,365,000

EXHIBIT E

UPWARD BOUND HOUSE Insurance Requirements

UPWARD BOUND HOUSE shall procure and maintain at UPWARD BOUND HOUSE's own cost and expense, for the duration of the Notes, the following insurance against claims for injuries to persons or damages to property which may arise against the Property.

A. Minimum Scope and Limits of Insurance

UPWARD BOUND HOUSE shall maintain limits no less than:

1. Commercial General Liability: One Million Dollars, ($1,000,000), combined single limit per occurrence for bodily injury and property damage.

2. Worker's Compensation and Employer=s Liability: Worker's Compensation limits as required by the Labor Code of the State of California and Employer's Liability limits of One Million Dollars ($1,000,000), per accident.

3. Property Insurance: An "All Risk" Property Insurance Policy or where applicable a "Builders Risk" Policy with permission to occupy endorsement in an amount of no less than 100% full replacement value on all improvements now existing or hereafter constructed on the Property. There shall be no coinsurance penalty provision. Such policy shall be endorsed to provide rental income interruption coverage for up to one year based upon the gross rental income for the Property.

B. Other Insurance Provisions

The general liability policy is to contain the following provision:

The City of Beverly Hills and members of its City Council, together with its boards and commissions, officers, agents and employees are to be covered as insured arising from or in any manner connected to UPWARD BOUND HOUSE's business, activities, operations, services, work, or ownership of said Property.

The Property Insurance policy shall contain the following provisions:

1. Policy to be endorsed with a standard mortgagee clause listing the City of Beverly Hills as a Loss Payee and Additional Insured.

2. The insurer shall waive all rights of subrogation against the City.

C. All Coverages

Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) day's prior written notice by certified mail, return receipt requested, has been given to the City.

D. Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:6, or other rating approved in writing by the City acting on behalf of the City.

E. Verification of Coverage

UPWARD BOUND HOUSE shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The certificates and endorsements should be on forms provided by the City or on other than the City's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the City acting on behalf of the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

EXHIBIT F

Contractor Insurance Requirements

Prior to commencing work, Contractor shall procure and maintain at Contractor's own cost and expense, for the duration of the contract, the following insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the work or services hereunder by the Contractor, the Contractor's agents, representatives, employees or subcontractors.

A. Minimum Scope and Limits of Insurance.

Contractor shall maintain limits no less than:

1. Commercial General Liability: One Million Dollars ($1,000,000), combined single limit per occurrence for bodily injury and property damage.

2. Comprehensive Automobile Liability: One Million Dollars, $1,000,000, combined single limit per accident for bodily injury or property damage.

3. Worker's Compensation and Employer's Liability: Worker's Compensation limits as required by the Labor Code of the State of California and Employer's Liability limits of One Million Dollars, $1,000,000, per accident.

B. Other Insurance Provisions

The general liability and automobile liability policies are to contain the following provisions:

1. The City of Beverly Hills ("City") and members of its City Council, together with its boards and commissions, officers, agents and employees, are to be covered as insured arising from or in any manner connected to Contractor's business, activities, operations, services, work, or ownership in connection with the Project.

2. The insurer shall waive all rights of subrogation against the City.

C. All Coverages

Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) day's prior written notice by certified mail, return receipt requested, has been given to the City.

D. Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:6, or other rating approved in writing by the City.

E. Verification of Coverage

Contractor shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The certificates and endorsements should be on forms provided by the City or on other than the City's forms, provided those endorsements or policies conform to the City's requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

F. Inclusion of Subcontractors
Contractor shall include all subcontractors as insureds under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to all of the requirements stated herein.

Attachment 2

Promissory Note

PROMISSORY NOTE SECURED BY DEED OF TRUST

$200,000
Beverly Hills, California

12841 West Washington Blvd.
Date: _____, 2008

FOR VALUE RECEIVED, the undersigned, UPWARD BOUND HOUSE, a California nonprofit public benefit corporation ("Upward Bound"), promises to pay to the order of the CITY OF BEVERLY HILLS, a municipal corporation, ("City"), the principal sum of TWO HUNDRED THOUSAND and NO/100 DOLLARS ($200,000.00), or so much thereof as is disbursed by City pursuant to that certain Grant Agreement between City and Upward Bound of even date herewith (the "Grant Agreement") upon default of the Grant Agreement or other Grant Documents, as provided more particularly below. All sums are payable in lawful money of the United States of America. No interest shall accrue on the principal amount of this promissory note (the "Note"), except in the case of an Event of Default under as defined below, in which case interest shall be deemed to have accrued from the date written above at the rate of the higher of: (i) ten percent (10%) per annum; or, (ii) the federal discount rate plus five percent (5%), where the federal discount rate is defined as the highest rate established by the Federal Reserve Bank of San Francisco on advances to member banks on the twenty-fifth day of the calendar month preceding the date the Grant was disbursed (the "Default Rate").

This Note is secured by, among other things, the Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents ("Deed of Trust") of the same date as this Note, executed by Upward Bound as Trustor, in favor of the City as Beneficiary, and encumbering the real property described in the Deed of Trust ("Property"). Under the Grant Agreement, Upward Bound has also executed that certain Regulatory Agreement of even date herewith (the "Regulatory Agreement"). For the purposes of this Note, the Grant Agreement, the Deed of Trust, the Regulatory Agreement and this Note collectively shall be referred to as the "Grant Documents". The holder of this Note shall be entitled to the benefits of the security provided by the Deed of Trust and shall have the right to enforce the covenants and agreements of Upward Bound contained in the Grant Documents.

In the case of an event of default under the Grant Agreement, the Regulatory Agreement, the Deed of Trust or this Note (each, an "Event of Default"), the principal amount and all interest deemed to have accrued as a result of the default shall become immediately due and payable. All payments on this Note shall be applied first to the payment of any costs, fees, late charges, or other charges incurred in connection with the indebtedness evidenced by this Note; next, to the payment of accrued interest, if any; then to the reduction of the principal balance; or in any other order that the City shall require.

On the tenth (10th) anniversary of the recordation of the Regulatory Agreement (the "Maturity Date", provided that provided that Upward Bound has complied fully with this Note, the Regulatory Agreement, and the Deed of Trust, Upward Bound shall have no further obligations to the City under the Grant Documents and the City shall cancel this Note and reconvey the Deed of Trust, with no payment required from Upward Bound.

Upward Bound shall have the right to pay, without penalty or premium, at any time prior to the Maturity Date, all or any portion of the outstanding principal amount of this Note. The City shall apply all prepayments first to the payment of any costs, fees, late charges, or other charges incurred in connection with the indebtedness evidenced by this Note; next, to the payment of accrued interest, if any; then to the outstanding principal amounts of this Note in inverse order of maturity, or, at the option of the City, in the regular order of maturity; or in any other order that the City requires.

Upward Bound shall pay to City all sums owing under this Note without deduction, offset, or counterclaim of any kind. The relationship of Upward Bound and City under this Note is solely that of Upward Bound and City, and the conditional repayment of the Grant evidenced by this Note and secured by the Deed of Trust will in no manner make City the partner or joint venturer of Upward Bound.

If any party hereto brings an action or proceeding against any other party by reason of a default under this Note or otherwise arising out of this Note or any other Grant Document, the prevailing party in such action or proceeding shall be entitled to receive from the losing party all costs and expenses in such amount as the Court may adjudge to be reasonable attorney's fees and costs, together with interest at the Default Rate from the date of such order until paid in full. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys fees paid to third parties.

No previous waiver or failure or delay by the City in acting with respect to the terms of this Note, the Deed of Trust, or any other Grant Document shall constitute a waiver of any breach, default, or failure of condition under this Note, the Deed of Trust, or any other Grant Document. A waiver of any term of this Note, the Deed of Trust, or other Grant Document must be made in writing and will be limited to the express written terms of the waiver. If there are any inconsistencies between the terms of this Note and the terms of any other document related to this Note, the terms of this Note shall prevail. No waiver or failure or delay by the City in acting with respect to the terms of this Note, the Deed of Trust, or any other Grant Document shall permit any guarantor of this Note to claim that the City's actions or failure to act resulted in an exoneration of the guarantor. All of the City's remedies in connection with this Note or under applicable law shall be cumulative, and the City's exercise of any one or more of those remedies shall not constitute an election of remedies.

Notwithstanding anything to the contrary herein, this Note shall be payable by the Upward Bound without personal liability of the Upward Bound, or any partner (general or limited) of the Upward Bound therefor and Note holder shall have no recourse for such payment with interest except against the Property against which this Note is secured. This provision shall not apply in the event of fraud, waste or intentional damage by the Upward Bound or any partner (general or limited) of the Upward Bound to the Property securing this Note.

All notices required to be given herein shall specify the address of the Property and shall be deemed served upon personal service or five (5) calendar days after deposit in

certified first-class United States mail, postage prepaid, and addressed to the parties as follows:

If to Upward Bound:	Upward Bound House 1104 Washington Avenue Santa Monica, CA 90403 Attn: Executive Director
If to City:	City of Beverly Hills 455 N. Rexford Drive Beverly Hills, California 90210 Attn: Erwina Brillante
With copies to:	City of Beverly Hills City Attorney's Office 455 N. Rexford Drive Beverly Hills, California 90210 Attn: City Attorney

or to such other address as the party may designate by notice to the other parties from time to time. All notices shall specify the address of the Property.

If this Note is executed by more than one person or entity as Upward Bound, the obligations of each person or entity shall be joint and several. No person or entity shall be a mere accommodation maker, but each shall be primarily and directly liable. Upward Bound waives presentment, demand, notice of dishonor, notice of default or delinquency (except such notice as is provided for in the Deed of Trust), notice of acceleration, notice of protest and nonpayment, notice of costs, expenses or losses and interest, notice of interest on interest and late charges, and diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights or interests to properties securing payment of this Note. Upward Bound's waiver shall be binding upon all makers, sureties, guarantors and endorsees and their successors and assigns. Time is of the essence with respect to every provision of this Note. This Note shall be construed and enforced in accordance with California law, except to the extent that Federal law preempts State law; and all persons and entities in any manner obligated under this Note consent to the jurisdiction of any Federal or State Court in California having proper venue and also consent to service of process by any means authorized by California or Federal law.

Amounts owing under this Note shall be payable at 455 N. Rexford Drive, Beverly Hills, California 90210, or such other place as the City may designate in writing from time to time.

IN WITNESS WHEREOF, the undersigned has caused this Note to be executed by an officer duly authorized to execute this Note.

Upward Bound House,
a California nonprofit public benefit corporation

By: _____

David Snow,
Executive Director

Property Address: Commonly known as 12841 West Washington Boulevard, Culver City, CA 90066

Attachment 3

Deed of Trust

Recording Requested by:
City of Beverly Hills

When Recorded Mail To:
City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, CA 90210
Attn: Erwina Brillantes

NO RECORDING FEE REQUIRED:
GOVERNMENT CODE SECTION 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST

SECURITY AGREEMENT

AND FIXTURE FILING WITH ASSIGNMENT OF LEASES AND RENTS

(Upward Bound House,
a California Nonprofit Public Benefit Corporation)

(Project Address: 12841 West Washington Boulevard, Culver City, CA.)

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RECITALS

This DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING WITH ASSIGNMENT OF LEASES AND RENTS ("Deed of Trust") is made as of _____, 20___, by Upward Bound House, a California nonprofit public benefit corporation ("Trustor"), to Commonwealth Land Title Company, a California corporation ("Trustee") for the benefit of the City of Beverly Hills, municipal corporation ("Beneficiary"). This Deed of Trust is intended to function as (i) a deed of trust, (ii) a security agreement with a fixture filing and (iii) an assignment of leases and rents. Anyone examining this Deed of Trust is advised to review all three portions of this document for the rights and obligations of the parties hereto.

I. DEED OF TRUST.

ARTICLE 1. GRANT IN TRUST WITH SECURED OBLIGATIONS.

Section 1.1 Grant in Trust

For the purposes of securing payment and performance of the Secured Obligations defined and described hereinafter, Trustor does irrevocably and unconditionally grant, convey, transfer and assign to Trustee, in trust, with power of sale, all of Trustor's right, title and interest now owned or later acquired in the real property ("Property"), or all or any part of such property, or any interest in all or any part of such property as the context may require, located in the County of Los Angeles, State of California, commonly known as 12841 West Washington Boulevard, Culver City, California, and more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference.

Trustor agrees that any greater title to the Property later acquired during the term of this Deed of Trust will be subject to this Deed of Trust, together with all of Trustor's right, title and interest in and to the Property, including all present and future easement and other rights benefiting the Property and all rents, issues and profits subject however to the right, power and authority granted and conferred on Trustor in this Deed of Trust to collect and apply the rents, issues and profits; and Trustor also irrevocably grants, transfers and assigns to Trustee, in trust, with power of sale, of all Trustor's right, title and interest now

owned or later acquired to the following (including the rights or interest pertaining to the following located on the Property:

(1) all buildings, structures (collectively, "Buildings") and improvements now located or later to be constructed on the Property and all appurtenances, easements, water and water rights; all machinery, equipment, appliances and fixtures for generating or distributing air, water, heat, electricity, light, fuel, or cooling or ventilating or sanitary purposes or for the exclusion of vermin or insects or the removal of dust, refuse or garbage; all built-in furniture and installations including shelving, lockers, partitions, elevators, awnings, light fixtures, fire hoses and brackets and boxes for them, fire sprinklers, alarm systems, screens, linoleum, carpets, fixtures, plumbing, washers and dryers, refrigerators, heating units, stoves, water heaters, and communication systems and installations for which any Building is specially designed; all of these items ("Improvements"), whether now or later installed, are hereby declared to be for all purposes of this Deed of Trust a part of the Property, and the specific enumerations in this Deed of Trust do not exclude the general; together with

(2) all existing and future appurtenances, privileges, easements and tenements of the Property, including all minerals, oil, gas and other hydrocarbons and associated substances, if any, which may exist in, under or produced from any part of the Property, all development rights and audits, air rights, water, water rights (whether riparian, appropriative or otherwise, and whether or not appurtenant); together with

(3) all existing and future leases, subleases, subtenancies, licenses, and occupancy agreements relating to the use and enjoyment of all or any part of the Property and Improvements, including all rents, issues, profits and proceeds therefrom; together with

(4) all real property and any improvements on it, and all appurtenances and other property and interests of any kind or character, whether described in Exhibit A or not, which may be reasonably necessary or desirable to promote the present and any reasonable future beneficial use and enjoyment of the Property and Improvements; together with

(5) all of Trustor's interest in and to the Grant proceeds (as defined below), whether dispersed or not, now or later held on deposit; together with

(6) all rights to the payment of money, accounts, accounts receivable, reserves deferred payments, refunds, cost savings, payments and deposits, whether now or later to be received by third parties (including all earnest money sales deposits) or deposited by Trustor with third parties, contract rights, development and use rights, governmental permits and licenses, applications, architectural and engineering plans, specifications and drawings, as-built drawings, chattel paper, instruments, documents, notices, drafts and letters of credit (other than those in favor of Beneficiary), which arise from or relate to the Property or to any use of the Property; together with

(7) all proceeds, including all claims to and demands for them, of the voluntary or involuntary conversion of any of the Property, Improvements or the other property described above into cash or liquidated claims, including all present and future fire, hazard, casualty or earthquake insurance policies, and all condemnation awards or payments now or later to be made by any public body or by decree of any court of competent jurisdiction for any taking or in connection with any condemnation or eminent domain proceeding, and the proceeds from all causes of action for any damage or injury to the Property, Improvements or other property described above or any part of them or breach of warranty in connection with the Property or Improvements, including causes of action arising in tort, contract, fraud or concealment of material facts; together with

(8) all books and records pertaining to any or all of the Property described above, including computer-readable memory and any computer hardware and software necessary to access and process such material; together with

(9) The Property to the extent not included in clauses (1) through (8) above.

Section 1.2 Secured Obligations

Trustor makes the grant, conveyance, transfer and assignment set forth in Section 1.1 and grants the security interest set forth in Section 1.2 for the purpose of securing the following obligations ("Secured Obligations") in the order of priority that Beneficiary determines:

(1) Payment of the indebtedness evidenced by a promissory note ("Note") of Trustor ("Borrower" therein) of the same date as this Deed of Trust in the principal amount of TWO HUNDRED THOUSAND and NO/100 DOLLARS ($200,000) ("Grant"), to the extent

such Grant becomes due, payable to Beneficiary ("Lender" therein) or to order, and all extensions, modifications or renewals of that Note; and

(2) Payment of the interest, if any, on that indebtedness according to the terms of the Note; and

(3) Payment of all other sums (with interest as provided in this Deed of Trust) becoming due and payable to Beneficiary or Trustee pursuant to the terms of this Deed of Trust; and

(4) Performance of every obligation contained in this Deed of Trust, the Note, any instrument now or later evidencing or securing any indebtedness secured by this Deed of Trust, and any agreements, supplemental agreements, or other instruments of security executed by Trustor as of the same date as this Deed of Trust or at any time subsequent to the date of this Deed of Trust for the purpose of further securing any indebtedness secured by this Deed of Trust or any part of it, or for the purpose of supplementing or amending this Deed of Trust or any instruments secured by this Deed of Trust; and

(5) Payment of all other obligations owed by Trustor to Beneficiary that by their terms recite that they are secured by this Deed of Trust, including those incurred as primary obligor; and

(6) Performance of every obligation contained in the Regulatory Agreement executed concurrently herewith ("Regulatory Agreement") between Trustor ("Upward Bound House" therein) and Beneficiary ("City" therein); and

(7) Performance of every obligation contained in the Grant Agreement ("Grant Agreement") executed concurrently herewith between Trustor ("Upward Bound House" therein) and Beneficiary ("City" therein); and

(8) Performance of every obligation contained in any other Grant Document or Security Document, including all modifications, amendments, extensions and renewals, however evidenced, of any of the Secured Obligations.

Section 1.3 Certain Defined Terms

As used in this Deed of Trust the following terms will have the following meanings:

Assignment of Leases: The assignment of Lessor's interest in Leases and Seller's interest in Contracts for Sale dated as of the same date as this Deed of Trust executed by Trustor in favor of Beneficiary.

Buildings: The Buildings as defined in Section 1.1.

Collateral: The Collateral as defined in Section 9.1 of this Deed of Trust.

Default Rate: A rate of interest per annum equal to the greater of either (i) ten percent (10%) per annum; or, (ii) the federal discount rate plus five percent (5%), where the federal discount rate is defined as the highest rate established by the Federal Reserve Bank of San Francisco on advances to member banks on the twenty-fifth (25th) day of the calendar month preceding the date the Grant was disbursed.

Fixtures: All fixtures located on the Improvements or now or later installed in, or used in connection with, any of the Improvements, including, but not limited to, all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire-extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air-cooling equipment, built-in refrigerators, and gas and electric machinery, appurtenances, and equipment, whether or not permanently affixed to the land or the Improvements.

Hazardous Substance: Any and all of the following:

(a) any oil, petroleum, petroleum by-product, flammable substance, explosive, radioactive material, hazardous waste or substance, toxic waste or substance, or any other waste, material, or pollutant that:

(i) poses a hazard to the Property or to persons on the Property, or

(ii) causes the Property to be in violation of any Hazardous Substance Law as defined below;

(b) asbestos in any form or condition;

(c) urea formaldehyde foam insulation;

(d) transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls;

(e) radon gas;

(f) any chemical, material, or substance defined as or included in the definition

of "hazardous substance," "hazardous waste," "hazardous material," "extremely hazardous waste," "restricted hazardous waste," or "toxic substance" or words of similar import under any applicable local, state, or federal law or under the regulations adopted or publications promulgated pursuant to those laws, including, but not limited to, any Hazardous Substance Law, Code of Civil Procedure Section 726.5, as amended from time to time, Code of Civil Procedure Section 736, as amended from time to time, and Civil Code Section 2929.5, as amended from time to time;

(g) any other chemical, material, or substance, exposure to which is prohibited, limited, or regulated by any governmental authority or which may pose a hazard to the health and safety of the occupants of the Property or the owners or occupants of property adjacent to or surrounding the Property, or any other person coming on the Property or any adjacent property; and

(h) any other chemical, material, or substance that may pose a hazard to the environment.

For purposes of this definition, the term "Hazardous Substance" shall not include substances which meet prevailing industry standards for non-toxicity at the time of use, are used, handled, and disposed of in accordance with accepted and legal standards and practices at the time of use, handling and disposal, and are (i) used for maintenance of buildings and grounds; (ii) used for routine household maintenance and cleaning; or (iii) used in the conduct of routine office and administrative activities.

Hazardous Substance Claim: Any enforcement, cleanup, removal, remedial, or other governmental, regulatory, or private action, agreements, consent decrees or orders threatened, instituted, or completed pursuant to any Hazardous Substance Law, together with all claims made or threatened by any third party against Trustor or the Property relating to damage, contribution, cost-recovery compensation, loss, or injury resulting from the presence, release, or discharge of any Hazardous Substance.

Hazardous Substance Law: Any federal, state, or local law, ordinance, regulation, or policy relating to the environment, health, and safety, any Hazardous Substance (including, without limitation, the use handling, transportation, production, disposal, discharge, or storage of the substance), industrial hygiene, soil, groundwater, and

indoor and ambient air conditions or the environmental conditions on the Property, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") [42 USCA Sections 9601 et seq.], as amended from time to time; the Hazardous Substances Transportation Act [49 USCA Sections 1801 et seq.], as amended from time to time; the Resource Conservation and Recovery Act ("RCRA") [42 USCA Sections 6901 et seq.], as amended from time to time, the Federal Water Pollution Control Act [33 USCA Sections 1251 et seq.], as amended from time to time; the Hazardous Substance Account Act [California Health and Safety Code Sections 25300 et seq.], as amended from time to time; the Hazardous Waste Control Law [California Health and Safety Code Section 25100 et seq.], as amended from time to time; the Medical Waste Management Act [California Health and Safety Code Sections 25015 et seq.], as amended from time to time; the Porter-Cologne Water Quality Control Act [Water Code Sections 13000 et seq.], as amended from time to time; and Article 5 of the Beverly Hills Municipal Code, as amended from time to time.

Impositions: All real estate, possessory interest and personal property taxes and other taxes and assessments, water and sewer rates and charges, and all other federal, state, county or local governmental charges and any interest or costs or penalties with respect to those charges, assessments, or taxes, ground rent and charges for any easement or agreement maintained for the benefit of the Property, general and special, ordinary and extraordinary, foreseen or unforeseen, of any kind that at any time prior to or after the execution of the Grant Documents may be assessed, levied, imposed, or become a lien on the Property or the rent or income received from the Property, or any use or occupancy of the Property; and any charges, expenses, payments, or assessments of any nature, if any, that are or may become a lien on the Property or the rent or income received from the Property.

Impound Account: The account, if any, that Trustor may be required to maintain pursuant to Section 4.4(c) of this Deed of Trust for the deposit of amounts required to pay Impositions and insurance premiums.

Improvements: All Buildings, improvements, and appurtenances on the land, and all improvements, additions, and replacements of those improvements and other

buildings and improvements, at any time later constructed or placed on the land, including but not limited to those Improvements defined in Section 1.1.

Indebtedness: The principal of and interest on the Note, and all other amounts, payments, and premiums to the extent they become due under the Note, and any extensions or renewals (including, without limitation, extensions or renewals at a different rate of interest, regardless of whether evidenced by a new or additional promissory note or notes), and all other indebtedness of Trustor to Beneficiary under or secured by the Security Documents, together with all other sums owed by Trustor to Beneficiary, including those incurred as primary obligor or as guarantor, that recite that they are secured by the Security Documents.

Land: The real property commonly known as 12841 West Washington Boulevard, Culver City, California, and more particularly described in Exhibit "A".

Material Adverse Change: Any change in:

(i) the business or properties or condition (financial or otherwise) of Trustor;

(ii) the condition or operation of the Property; or

(iii) the business or properties or condition, financial or otherwise, of a guarantor;

that has or could have, in Beneficiary's reasonable judgment, a material and adverse affect on the payment and performance of the Secured Obligations granted herein.

Note: The Note as defined in Section 1.2.

Obligations: All of the covenants, promises, and other obligations, including the Secured Obligations defined in Section 1.2, other than the Indebtedness:

(i) made or owing by Trustor to or due to Beneficiary under or as set forth in the Grant Documents; and

(ii) made or owing by Trustor to every other Person, a breach of which would or may affect Trustor's ownership, development, use or operation of the Property.

Parties: Trustor and any guarantors of any obligations under the Grant Agreement together with their respective affiliates and their respective agents, employees, and representatives.

Person: Any natural person, corporation, form, association, government,

governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity.

Personalty: Trustor's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership, development, or operation of the Property, and all furniture, furnishings, equipment, machinery, construction materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) now or later on the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and non-cash proceeds.

Grant Documents: The Note, this Deed of Trust, the Grant Agreement, the Regulatory Agreement, the Security Documents, and all other documents (including guaranties) evidencing, securing, or relating to the Grant.

Property: The Land, the Improvements, the Fixtures, and the Personalty, together with:

(i) all rights, privileges, tenements, hereditaments, rights-of-way, easements, and appurtenances of the Land or the Improvements now or later belonging to the Property, and all right, title, and interest of Trustor in any streets, ways, alleys, strips, or gores of land adjoining the Land; and

(ii) all of Trustor's right; title, and interest in the Land, the Improvements, the Fixtures, and the Personalty, including any award for any change of grade of streets affecting the Land, the Improvements, the Fixtures, or the Personalty.

Receiver: Any trustee, receiver, custodian, fiscal agent, liquidator, or similar officer.

Release: Any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into the environment, including continuing migration, of Hazardous Substances that goes into the soil, surface water, or groundwater of the Property, whether or not caused by, contributed to, permitted by, acquiesced to, or known to Trustor.

Security Documents: This Deed of Trust, the Regulatory Agreement, the Assignment of Leases and all other documents now or later securing any part of the

payment of the Indebtedness or the observance or performance of the Obligations.

Title Policy: The title insurance policy issued by Commonwealth Land Title Company to Beneficiary.

ARTICLE 2. WARRANTY OF TITLE.

Trustor warrants that:

(a) Trustor is or upon close of escrow will be the lawful owner of the Property and possess and hold fee title to all of the Property;

(b) Trustor will maintain and preserve the lien of this Deed of Trust until the obligations of Trustor under the Grant Documents have been performed or the Indebtedness has been paid in full;

(c) Trustor has good, right, and lawful authority to grant the Property as provided in this Deed of Trust; and

(d) Trustor will forever warrant and defend the grant made in this Deed of Trust against all claims and demands, except as are specifically set forth in this Deed of Trust.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES.

Trustor covenants, represents and warrants to Beneficiary that as of the date of this Deed of Trust:

Section 3.1 Organization of the Parties

(a) Trustor is a nonprofit public benefit corporation, duly organized, validly existing, and in good standing under the laws of the State of California and is qualified to do business in California;

(b) Trustor has the requisite power and authority to own and manage its properties, to carry on its business as it is now being conducted, and to own, develop, and operate the Property;

(c) Trustor is qualified to do business in every jurisdiction in which the nature of its business or its properties makes qualification necessary; and

(d) Trustor is in compliance with all laws, regulations, ordinances, and orders of public authorities applicable to it.

Section 3.2 Validity of Documents

(a) The execution, delivery, and performance by the Parties of the Grant Documents, the borrowing evidenced by the Note: (i) are within the power of the Parties; (ii) have been duly authorized by all requisite corporate or partnership actions, as appropriate; (iii) have received all necessary governmental approvals; and (iv) will not violate any provision of law, any order of any court or agency of government, the charter documents of any Party, or any indenture, agreement, or any other instrument to which any Party is a party or by which any Party or any of its property is bound, or by which the Property is bound, nor will they conflict with, result in a breach of, or constitute (with due notice and lapse of time) a default under any indenture, agreement, or other instrument, or result in the creation or imposition of any lien, charge, or encumbrance of any nature on any of the property or assets of any Party, except as contemplated by the provisions of the Grant Documents.

(b) Each of the Grant Documents when executed and delivered to Beneficiary, will constitute a valid obligation, enforceable in accordance with its terms.

Section 3.3 Financial Statements

(a) All financial statements and data that have been given to Beneficiary with respect to any Party: (i) are complete and correct in all respects; (ii) accurately and fully present the financial condition of that Party on each date as of which they have been furnished, and accurately and fully present the results of the operations of that Party for the periods for which they have been furnished; and (iii) have been prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered;

(b) All balance sheets and the notes with respect to the Parties furnished to Beneficiary disclose all liabilities of the Parties, fixed and contingent, as of their respective dates, as well as all obligations of those Parties under any guaranties, loan applications or other agreements of the Parties;

(c) There has been no Material Adverse Change in the financial condition or operations of Trustor since: (i) the date of the most recent financial statement given to Beneficiary with respect to Trustor of the Property; or (ii) the date of the financial

statements given to Beneficiary immediately prior to the date of this Deed of Trust, other than changes in the ordinary course of business, none of which constitute a Material Adverse Change, either individually or in the aggregate.

Section 3.4 Use of Proceeds

Trustor will use the funds advanced pursuant to the Note solely to acquire the Property, in a manner consistent with the Grant Documents, and the Security Documents, including but not limited to the Regulatory Agreement.

Section 3.5 No Other Arrangements

Trustor is not a party to any agreement or instrument materially and adversely affecting Trustor's present or proposed business, properties, assets, operation, or condition, financial or otherwise, and Trustor is not in default in the performance, observance, or fulfillment of any of the material obligations, covenants, or conditions in any agreement or instrument to which Trustor is a party that materially affect Trustor's present or proposed business, properties, assets, operation, or condition, financial or otherwise.

Section 3.6 Other Information

All other reports, papers, data, and information given to Beneficiary with respect to Trustor and the Property are accurate and correct in all respects and complete insofar as completeness may be necessary to give Beneficiary a true and accurate knowledge of the subject matter.

Section 3.7 No Litigation Pending

There is not now pending against or affecting any Party, nor to the knowledge of any Party is there threatened, any action, suit, or proceeding at law or in equity or before any administrative agency that, if adversely determined, would materially impair or affect: (a) the financial condition or operations of Trustor; or (b) the condition or operation of the Property.

Section 3.8 Other Warranties

Trustor is or will be engaged in the repair, maintenance, and operation of the Improvements.

Section 3.9 Taxes

Trustor has filed or will file all federal, state, county, and municipal income tax returns required to have been filed and has paid all taxes that have become due pursuant to those returns or pursuant to any assessments received by Trustor; and Trustor does not know of any basis for any additional assessment against Trustor in respect of those taxes.

Section 3.10 Compliance with Laws

The Property and the proposed use of the Property will comply with all applicable laws, ordinances, rules, agreements and regulations (including, but not limited to, the Americans With Disabilities Act) of all local, regional, county, state, and federal governmental authorities having jurisdiction; and there is no action or proceeding pending or, to the knowledge of Trustor after due inquiry, threatened before any court, quasi-judicial body or administrative agency at the time of any disbursement by Beneficiary relating to the validity of the Grant or the proposed or actual use of the Property. All rights to appeal any decision rendered will have expired prior to the date of this Deed of Trust.

ARTICLE 4. AFFIRMATIVE COVENANTS.

Until the entire Indebtedness has been paid in full, Trustor covenants to and agrees with Beneficiary as follows:

Section 4.1 Obligations of Trustor

Trustor will pay the Indebtedness and Trustor will continue to be liable for the payment of the Indebtedness until it has been paid in full or repayment has been forgiven by Beneficiary. In addition Trustor:

(a) will timely perform all the covenants, agreements, terms, and conditions to be performed by Trustor including but not limited to the Secured Obligations: (i) under this Deed of Trust; (ii) as seller under each contract of sale of, and as lessor under each lease of any portion of the Property for which a contract of sale or lease has been approved in writing by Beneficiary; (iii) as required of Trustor under each document and agreement constituting one of the Security Documents; (iv) under all other agreements between Trustor and Beneficiary in accordance with the respective terms of those agreements; and (v) as required of Trustor under all other agreements to which Trustor is a party with

respect to the Property;

(b) will not cancel, surrender, modify, amend, or permit the cancellation, surrender, modification, or amendment of any of the previously mentioned agreements or any of the covenants, agreements, terms, or conditions contained in any of them without the prior written consent, in each case, of Beneficiary; and

(c) will keep Beneficiary indemnified against all actions, proceedings, costs, claims, and damages incurred or sustained by Beneficiary in respect of the nonpayment of any charges or the nonobservance or nonperformance of any of the covenants, agreements, management agreements, terms, or conditions in accordance with the provisions of the previously mentioned agreements.

Section 4.2 Insurance

Trustor, at its sole cost and expense, will keep the Property insured for the mutual benefit of Trustor and Beneficiary as provided in Section 4(F) of that certain Regulatory Agreement between Trustor and Beneficiary recorded concurrently with this Deed of Trust.

Section 4.3 Maintenance, Waste, and Repair

(a) Trustor will maintain the Property and Improvements thereon in good and tenantable repair.

(b) Trustor will not structurally alter the Property or Improvements without the prior written consent of Beneficiary, or remove or demolish them in whole or in part.

(c) Trustor will not permit or allow any waste of the Property or make any change in the use of the Property that will in any way increase any ordinary fire or other hazard insurance premiums or permit anything that may in any way impair the security of this Deed of Trust.

(d) Trustor will not abandon the Property or leave the Property unprotected, vacant, or deserted.

(e) Subject to the rights of Trustor under Article 7, if all or part of the Property or Improvements becomes damaged or destroyed, Trustor shall promptly and completely repair and restore the Property or Improvements in a good and workerlike manner.

(f) Trustor shall perform all other acts which from the character or use of the

Property may be reasonably necessary to maintain and preserve its value.

Section 4.4 Imposition, Taxes and Impounds

(a) Impositions Affecting the Property. Trustor shall immediately discharge any lien on the Property which Beneficiary has not consented to in writing. Trustor shall pay when due all Impositions that are or that may become a lien on the Property or are assessed against the Property or its rents, royalties, profits, and income.

(b) Taxes Affecting Trustor. Trustor will file all federal, state, county, and local income and gross receipts tax returns required to be filed and will pay all taxes that become due pursuant to the returns or pursuant to any assessments received by Trustor. Trustor shall provide receipts for such taxes pursuant to the provisions of Section 4.12.

(c) Impounds; Impound Account. Commencing at close of escrow and continuing for the term of the Regulatory Agreement, Trustor will set aside on a monthly basis an amount equal to one-twelfth (1/12) of the annual cost of taxes and assessments on the Property together with insurance premiums. Trustor shall pay all taxes, assessments and insurance premiums as and when they become due. The amounts to be deposited may be adjusted from time to time by the City on the basis of actual expenses incurred for these purposes. Any interest accruing on funds so deposited shall accrue to the benefit of Trustor.

Section 4.5 Compliance with Law

Trustor will preserve and keep in full force its existence, rights, and powers. Trustor will promptly and faithfully comply with all present and future laws, ordinances, rules, regulations, and requirements of every governmental authority or agency, and of every board of fire underwriters (or similar body exercising similar functions) having jurisdiction that may be applicable to it or relates to the Property or Improvements or to the use or manner of occupancy, possession, operation, maintenance, alteration, or repair of the Property or Improvements or any part of it, whether the law, ordinance, rule, order, regulation, or requirement necessitates structural changes or improvements or interferes with the use or enjoyment of the Property.

Section 4.6 Books and Records

Trustor will maintain complete books of account and other records reflecting the results of Trustor's operations (both in conjunction with its other operations as well as its operation of the Property), in a form satisfactory to Beneficiary, and as further described in the Regulatory Agreement, and will furnish to Beneficiary any information about the financial condition of Trustor and the rentals and operations of the Property as Beneficiary reasonably requests, as set forth in the Regulatory Agreement.

Section 4.7 Further Assurances

Trustor, at Trustor's expense and at any time on the reasonable request of Beneficiary, will execute, acknowledge, and deliver any additional papers and instruments (including, without limitation, a declaration of no offsets) and any further assurances of title and will do or cause to be done all further acts and things that may be proper or reasonably necessary to carry out the purpose of this Deed of Trust and of the Grant Documents and to subject to the liens any property intended to be so covered, including any additions, substitutions, replacements, or betterments of such property.

Section 4.8 Statement by Trustor

Trustor, on ten (10) days' written request, will furnish a statement of the amount due or outstanding on the Notes and a statement of any offsets, counterclaims, or defenses to the payment.

Section 4.9 Indemnity

(a) If any action or proceeding (whether judicial, regulatory or administrative) is threatened or commenced, except an action to foreclosure this Deed of Trust or to collect the Indebtedness: (i) that affects the Property or any portion of it; (ii) in which Beneficiary is or could be made a party; or (iii) in which it becomes necessary to defend or uphold the lien of this Deed of Trust, then all costs, fees, and expenses incurred by Beneficiary with respect to the action or proceeding (including, without limitation, attorney's fees and expenses) will, within ten (10) days after the submission of bills for the costs to Trustor, be paid directly to the billing party by Trustor.

(b) In addition, Trustor agrees to pay all costs, including, without limitation, reasonable attorney's fees and expenses, incurred by Beneficiary in enforcing the terms of this Deed of Trust or the terms of any of the Grant Documents, whether or not suit is filed.

(c) Trustor agrees to indemnify Trustee and Beneficiary and hold them harmless from all liability, loss, damage, claims, causes of action, judgments, court costs, reasonable attorney's fees and other legal expenses, costs of evidence of title or evidence of value and such other costs or expenses that may be incurred:

(i) under this Deed of Trust;

(ii) in connection with the making of the Grant secured by this Deed of Trust; and

(iii) in the enforcement of any of Beneficiary's rights or remedies; in any action taken by Beneficiary under this Deed of Trust or in connection with any claims or demands that may be asserted against Beneficiary arising out of the Collateral regardless of the active or passive negligence of Beneficiary; provided however, that Trustor shall not be required to indemnify Beneficiary for Beneficiary's negligence, gross negligence or willful acts of misconduct.

(d) On the failure of Trustor to make timely payment pursuant to the terms of Section 4.9(a) of this Deed of Trust, the payment may be paid by Beneficiary. Sums of money paid by Beneficiary, and sums owed to Beneficiary pursuant to Section 4.9(a) of this Deed of Trust, together with interest at the Default Rate from the date Beneficiary makes the payment or incurs the loss, will be secured by this Deed of Trust, prior to any title or interest in or claim on the Property attaching or accruing subsequent to the lien of this Deed of Trust, and will be payable by Trustor to Beneficiary on demand.

(e) Trustor shall pay all obligations to pay money arising under this Section 4.9 immediately upon demand by Trustee or Beneficiary.

(f) The provisions of this Section 4.9 will survive the termination of this Deed of Trust and the repayment of the Indebtedness so long as the Regulatory Agreement remains in effect.

Section 4.10 Reimbursement

Beneficiary will have the right to declare immediately due any amount paid by it for any tax, stamp tax or filing fee, assessment, water rate, sewer rate, insurance premium, repair, rent charge, debt, claim, inspection, or lien having priority over this Deed of Trust, or over any other agreement given to secure the Indebtedness.

Section 4.11 Notice of Litigation

Trustor will, within three (3) business days, give written notice to Beneficiary of any litigation commenced or threatened affecting the Property other than unlawful detainer proceedings brought by Trustor.

Section 4.12 Tax Receipts

Subject to the provisions of Section 4.4 of this Deed of Trust, Trustor will exhibit to Beneficiary, within seven (7) days after demand, bills (that will be receipted from and after the date receipted bills are obtainable) showing the payment to the extent then due of all taxes, assessment (including those payable in periodic installments), water rates, sewer rates, or any other Imposition that may have become a lien on the Property or any Personalty prior to the lien of this Deed of Trust.

Section 4.13 Duplicate Plans

Trustor will submit to Beneficiary a duplicate set of plans and specifications for approval before any material improvements, repairs or alterations are begun that affect the Property.

Section 4.14 Additional Information

Trustor will furnish to Beneficiary, within seven (7) days after written request, all information that Beneficiary may request concerning the performance by Trustor of the covenants of the Grant Documents; and Trustor will permit Beneficiary or its representatives at all reasonable times to make investigation or examination concerning that performance.

Section 4.15 Right of Entry

Trustor grants to Beneficiary and its agents, employees, consultants, and contractors the right to enter on the Property for the purpose of making any inspections, reports, tests (including, without limitation, environmental assessment tests, soils borings, groundwater testing, wells, or soils analysis), inquiries, and reviews that Beneficiary, in its sole and absolute discretion, deems necessary to assess the then current condition of the Property. Beneficiary will provide Trustor with at least one (1) business day's prior written notice of the entry to the common areas of the Property and at least three (3) days prior notice to enter individual units. However, Trustor's consent will not be required for entry or

for the performance of tests. Beneficiary shall endeavor not to materially interfere with the Trustor's operations on the Property. Beneficiary shall be responsible for any damage or injury sustained as a result of the Beneficiary's negligence. In the event such inquiry identifies a default of a secured obligation, all costs, fees, and expenses (including, without limitation, those of Beneficiary's attorneys and consultants) incurred by Beneficiary with respect to the inspections, reports, tests, inquiries, and reviews, together with all related preparation, consultation, analyses, and review, will be paid by Trustor to Beneficiary on demand, will accrue interest at the Default Rate until paid, and will be secured by this Deed of Trust, prior to any right, title, or interest in or claim on the Property attaching or accruing subsequent to the lien of this Deed of Trust.

ARTICLE 5. NEGATIVE COVENANTS.

So long as the Regulatory Agreement remains in full force and effect, Trustor covenants to and agrees with Beneficiary as follows:

Section 5.1 Restrictive Uses

Beneficiary has made the Grant for the purpose of securing the restrictive uses as set forth in the Regulatory Agreement. Trustor covenants not to initiate, join in, or consent to any change in any deed restriction, regulatory agreement, zoning ordinance, private restrictive covenant, assessment proceedings, or other public or private restriction limiting or restricting the uses that may be made of the Property or any part of it without the prior written consent of Beneficiary.

Section 5.2 Other Financing

Except for the liens securing the Indebtedness, Trustor will not create or permit to continue in existence any mortgage, pledge, encumbrance, lien, or charge of any kind (including purchase money and conditional sale liens) on any of the Property except for: (i) liens for taxes not yet delinquent; (ii) acquisition financing pursuant to Section 4 of the Grant Agreement; and (iii) any other liens or charges that are specifically approved in writing by Beneficiary prior to the recordation.

Any transaction in violation of this Section will cause all Indebtedness, irrespective of the maturity dates, at the option of the holder and without demand or notice,

to immediately become due, together with any prepayment premium in accordance with the terms of the Note.

Section 5.3 Prohibition Against Transfer

One of the inducements to Beneficiary for funding the Grant is the identity of Trustor. The existence of any interest in the Property other than the interests of Trustor and Beneficiary and any encumbrance permitted in this Deed of Trust, even though subordinate to the security interest of Beneficiary, and the existence of any interest in Trustor other than those of the present owners, would impair the Property and the security interest of Beneficiary; and, therefore, Trustor will not sell, convey, assign, transfer, alienate, or otherwise dispose of its interest in the Property (other than the making of leases to residential tenants and laundry leases in the ordinary course of business), either voluntarily or by operation of law, or agree to do so, without the prior written consent of Beneficiary, which may be withheld in Beneficiary's sole and complete discretion. Consent to one transaction by Beneficiary will not be deemed a waiver of the right to require consent to further or successive transactions. When Trustor is a corporation, any sale, transfer, or disposition of fifty percent (50%) or more of the voting stock of Trustor or of any corporation that directly or indirectly owns or controls Trustor, including, without limitation, the parent company of Trustor and the parent company of the parent company of Trustor, will constitute a sale of the Property for purposes of this Section. When Trustor is a partnership, any change or addition of a general partner of Trustor, change of a partnership interest of Trustor, or sale, transfer, or disposition of fifty percent (50%) or more of the voting stock or partnership interest of any partner of Trustor or of any corporation or partnership that directly or indirectly owns or controls any partner of Trustor, including, without limitation, each parent company of a partner of Trustor and each parent company of any parent company of a partner of Trustor, will constitute a sale of the Property for purposes of this Section. Any transaction in violation of this Section will cause all Indebtedness, irrespective of the maturity dates, at the option of the holder and without demand or notice, immediately to become due, in accordance with the terms of the Note.

Section 5.4 Replacement of Fixtures and Personalty

Trustor will not, without the prior written consent of Beneficiary, permit any of

the Fixtures or Personalty to be removed at any time from the Property unless actually replaced by articles of equal suitability and value owned by Trustor free and clear of any lien or security interest except as may be approved in writing by Beneficiary.

ARTICLE 6. ENVIRONMENTAL PROVISIONS.

Section 6.1 Representations and Warranties

Except as disclosed in writing as set forth in the Phase I Environmental Report and in the Asbestos and Lead Survey Report, to the best of its knowledge Trustor represents and warrants to Beneficiary that:

(a) after diligent inquiry, Trustor has no knowledge of or reason to believe that there has been: (i) any use, generation, manufacture, storage, treatment, disposal, Release, or threatened Release of any Hazardous Substance by any prior owners or prior occupants of the Property or by any third parties onto the Property; or (ii) any actual or threatened litigation or claims of any kind by any person relating to these matters;

(b) no Hazardous Substances in excess of permitted levels or reportable quantities under applicable Hazardous Substance Laws are present under, in or about the Property or any nearby real property that could migrate to the Property;

(c) no Release or threatened Release exists or has occurred;

(d) no underground storage tanks of any kind are or ever have been located in or about the Property;

(e) the Property and all operations and activities at, and the use and occupancy of, the Property, comply with all applicable Hazardous Substance Laws;

(f) Trustor will use the Property in strict compliance with every permit, license, and approval required by all applicable Hazardous Substance Laws for all activities and operations at, and the use and occupancy of, the Property;

(g) to the best of Trustor's knowledge, after diligent inquiry, there are no Hazardous Substance Claims pending or threatened with regard to Property or against Trustor or any Guarantor;

(h) to the best of its knowledge after diligent inquiry, there exists no occurrence or condition on any real property adjoining or within 2,000 feet of the Property

that would cause the Property or any part of it to be designated as "hazardous waste property" or "border zone property" under the provisions of Health and Safety Code section 25220 et seq. and any regulation adopted in accordance with that section;

(i) any written disclosure submitted by or on behalf of Trustor to Beneficiary concerning any Release or threatened Release, past or present compliance by Trustor, any user of any Hazardous Substance or any Hazardous Substance Laws applicable to the Property, the past and present use and occupancy of the Property and any environmental concerns relating to the Property was true and complete when submitted and continues to be true and correct as of the date of this Deed of Trust.

Section 6.2 Covenants

Trustor covenants and agrees, except in the ordinary course of business and as permitted under all applicable Hazardous Substance Laws, as follows:

(a) not to cause or permit the Property to be used as a site for the use, generation, manufacture, storage, treatment, Release, discharge, disposal, transportation, or presence of any Hazardous Substance;

(b) not to cause, contribute to, permit, or acquiesce in any Release or threatened Release;

(c) not to change or modify the use of the Property without the prior written consent of Beneficiary;

(d) to comply with and to cause the Property and every user of the Property to comply with all Hazardous Substance Laws;

(e) to immediately notify Beneficiary in writing and to provide Beneficiary with a reasonably detailed description of: (i) any noncompliance of the Property with any Hazardous Substance Laws; (ii) any Hazardous Substance Claims; (iii) any Release or threatened Release; and (iv) the discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that would cause the Property or any part of it to be designated as "hazardous waste property" or "border zone property" under the provisions of Health and Safety Code ''25220 et seq. and any regulation adopted in accordance with that section;

(f) in the event that Trustor discovers a Release or the presence of any

Hazardous Substance on or about the Property in violation of any Hazardous Substance Law, to: (i) notify Beneficiary of that discovery together with a reasonably detailed description; (ii) promptly after a request by Beneficiary, engage a qualified environmental engineer reasonably satisfactory to Beneficiary to investigate these matters and prepare and submit to Beneficiary a written report containing the findings and conclusions resulting from that investigation, all at the sole expense of Trustor; and (iii) take, at Trustor's sole expense, all necessary actions to remedy, repair, clean up, or detoxify any Release or Hazardous Substance, including, but not limited to, any remedial action required by any Hazardous Substance Laws or any judgment, consent, decree, settlement, or compromise in respect of any Hazardous Substance Claims, these actions to be performed in accordance with Hazardous Substance Laws, in a good and proper manner, under the supervision of a qualified environmental engineer approved in writing by Beneficiary, in accordance with plans and specifications for these actions approved in writing by Beneficiary, and using licensed and insured qualified contractors approved in writing by Beneficiary;

(g) immediately furnish to Beneficiary copies of all written communications received by Trustor from any governmental authority or other person or given by Trustor to any person and any other information Beneficiary may reasonably request concerning any Release, threatened Release, Hazardous Substance Claim, or the discovery of any Hazardous Substance on or about the Property in violation of any Hazardous Substance Law; and

(h) keep Beneficiary generally informed regarding any Release, threatened Release, Hazardous Substance Claim, or the discovery of any Hazardous Substance on or about the Property in violation of any Hazardous Substance Law.

Section 6.3 Inspection and Receivership Rights

Upon Beneficiary's reasonable belief of the existence of a past or present Release or threatened Release not previously disclosed by Trustor in connection with the making of the Grant or the execution of this Deed of Trust or upon Beneficiary's reasonable belief that Trustor has failed to comply with any environmental provision of this Deed of Trust or any other Grant Document and upon reasonable prior notice (except in the case of

an emergency) to Trustor, Beneficiary or its representatives, employees, and agents, may from time to time and at all reasonable times (or at any time in the case of an emergency) enter and inspect the Property and every part of it (including all samples of building materials, soil, and groundwater, and all books, records and files of Trustor relating to the Property) and perform those acts and things that Beneficiary reasonably deems necessary or desirable to inspect, investigate, assess and protect the security of this Deed of Trust for the purpose of determining:

(a) the existence, location, nature, and magnitude of any past or present Release or threatened Release;

(b) the presence of any Hazardous Substances on or about the Property in violation of any Hazardous Substance Law; and

(c) the compliance by Trustor of every environmental provision of this Deed of Trust and every other Grant Document. In furtherance of the purposes above, without limitation of any of its other rights, Beneficiary may: (i) obtain a court order to enforce Beneficiary's right to enter and inspect the Property under Civil Code ' 2929.5, to which the decision of Beneficiary as to whether there exists a Release, a threatened Release, any Hazardous Substance on or about the Property in violation of any Hazardous Substance Law, or a breach by Trustor of any environmental provision of this Deed of Trust or any other Grant Document, will be deemed reasonable and conclusive as between the parties; and (ii) have a receiver appointed under Code of Civil Procedure ' 564 to enforce Beneficiary's right to enter and inspect the Property for the purpose set forth above.

All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations that Beneficiary or its agents, representatives, or employees may conduct, including the fees of the engineers, laboratories, contractors, consultants, and attorneys, will be paid by Trustor immediately upon demand of Beneficiary. All costs or expenses incurred by Trustee and Beneficiary pursuant to this Section (including without limitation court costs, consultant's fees, and attorney's fees, whether before or after judgment) will bear interest at the Default Rate from the date they are incurred until those sums have been paid in full. Except as provided by law, any

inspections or tests made by Beneficiary or its representatives, employees, and agents will be for Beneficiary's purposes only and will not be construed to create any responsibility or liability on the part of Beneficiary to Trustor or to any other person. Beneficiary will have the right, but not the obligation, to communicate with any governmental authority regarding any fact or reasonable belief of Beneficiary that constitutes or could constitute a breach of any of Trustor's obligations under any environmental provision contained in this Deed of Trust or any Grant Document.

Nothing in this Section shall preclude any of the post-default inspection rights set forth in Section 8.7.

Section 6.4 Release and Indemnity

Trustor:

(a) releases and waives any future claims against Beneficiary for indemnity or contribution in the event Trustor becomes liable for cleanup or other costs under any Hazardous Substance Law or under any Hazardous Substance Claim;

(b) agrees to reimburse Beneficiary, on demand, for all costs and expenses incurred by Beneficiary in connection with any review, approval, consent, or inspection relating to the environmental provisions in this Deed of Trust together with interest, after demand, at the Default Rate; and

(c) agrees to indemnify, defend, and hold Beneficiary and Trustee harmless from all losses, costs, claims, damages, penalties, liabilities, causes of action, judgments, court costs, attorney's fees and other legal expenses, costs of evidence of title, cost of evidence of value, and other expenses (collectively, "Expenses"), including, but not limited to, any Expenses incurred or accruing after the foreclosure of the lien of this Deed of Trust, which either may suffer or incur and which directly or indirectly arises out of or is in any way connected with the breach of any environmental provision either in this Deed of Trust, or as a consequence of the presence, use, generation, manufacture, storage, disposal, transportation, Release or threatened Release of any Hazardous Substance on or about the Property, including the soils and groundwaters, caused or permitted by Trustor, any prior owner or operator of the Property, any adjoining landowner or any other party, including, without limitation, the cost of any required or necessary repair, cleanup, remedy

or detoxification of any Hazardous Substance and the preparation of any closure, remedial action, or other required plans, whether that action is required or necessary by reason of acts or omissions occurring prior to or following the recordation of this Deed of Trust. Trustor's obligations will survive the satisfaction, release, or cancellation of the Indebtedness, the release and reconveyance or partial release and reconveyance of this Deed of Trust, and the foreclosure of the lien of this Deed of Trust or deed in lieu of foreclosure on the Deed of Trust.

Section 6.5 Request for Information

Trustor and Beneficiary agree that:

(a) this Section is intended as Beneficiary's written request for information and Trustor's written response concerning the environmental condition of the Property as provided by Code of Civil Procedure ' 726.5; and

(b) each representation, warranty, covenant or indemnity made by Trustor in this Section or in any other provision of this Deed of Trust or any Grant Document that relates to the environmental condition of the Property is intended by Trustor and Beneficiary to be an "environmental provision" for purposes of Code of Civil Procedure section 736 and will survive the payment of the Indebtedness and the termination or expiration of this Deed of Trust and will not be affected by Beneficiary's acquisition of any interest in the Property, whether by full credit bid at foreclosure, deed in lieu of that, or otherwise. If there is any transfer of any portion of Trustor's interest in the Property, any successor-in-interest to Trustor agrees by its succession to that interest that the written request made pursuant to this Section will be deemed remade to the successor-in-interest without any further or additional action on the part of Beneficiary and that by assuming the debt secured by this Deed of Trust or by accepting the interest of Trustor subject to the lien of this Deed of Trust, the successor remakes each of the representations and warranties in this Deed of Trust and agrees to be bound by each covenant in this Deed of Trust, including, but not limited to, any indemnity provision.

Section 6.6 Effect of Site Assessment

Even though Trustor may have provided Beneficiary with an environmental site assessment or other environmental report together with other relevant information

regarding the environmental condition of the Property, Trustor acknowledges and agrees that Beneficiary is not accepting the Property as security for the Grant based on that assessment, report, or information. Rather Beneficiary has relied on the representations and warranties of Trustor in this Deed of Trust, and Beneficiary is not waiving any of its rights and remedies in the environmental provisions of this Deed of Trust or any other Grant Document.

Section 6.7 Additional Rights and Obligations

The rights of Beneficiary and obligations of Trustor set forth in this Article 6 shall not preclude or supersede the exercise by Beneficiary of any of its rights or remedies set forth in Article 8 under the circumstances set forth in Article 8 permitting the exercise of those rights and remedies.

ARTICLE 7. CASUALTIES AND CONDEMNATION.

Section 7.1 Casualties

(a) Trustor will promptly notify Beneficiary in writing after any loss or damage caused by fire or other casualty to the Property, and prior to the making of any repairs. Trustor will furnish to Beneficiary within ninety (90) days after the loss or damage evidence of the following satisfactory to Beneficiary: (i) the cost of repair or reconstruction; (ii) that sufficient funds are available or committed for the benefit of Beneficiary, including insurance proceeds, payment and performance bonds, or otherwise, to complete the repair or reconstruction; and (iii) that the repair or reconstruction may be completed in accordance with all applicable laws, rules, regulations, and ordinances and that all necessary permits and approvals have been or will be obtained.

If Trustor does not furnish this evidence to Beneficiary within the ninety-day period, or if Beneficiary in its sole discretion determines that repair or reconstruction is not economically feasible due to a lack of sufficient available funds, then within thirty (30) days after the expiration of the ninety-day period, Beneficiary will have the option ("Repayment Option") to have all insurance proceeds applied against the Indebtedness. If Beneficiary elects the Repayment Option, Trustor will immediately transfer to Beneficiary all insurance proceeds received by it, if any, to the extent of the Indebtedness, and Beneficiary will apply the insurance proceeds received by it, if any, against the Indebtedness. If the insurance

proceeds held by Trustor and Beneficiary will exceed the Indebtedness, any excess insurance proceeds will belong and be paid over to or be retained by Trustor.

(b) If Beneficiary does not elect the Repayment Option within the specified time period, Trustor will with all diligence repair or otherwise reconstruct the damage to the Property, all according to the original plans and specifications for the Improvements and elevations or according to such modified plans and specifications conforming to the then laws and regulations as have been first approved in writing by Beneficiary and any occupants of the Improvements having the right to approve. Beneficiary will use all insurance proceeds, if any, received by it relating to the damage or destruction to reimburse Trustor from time to time for expenditures made for repair of the damage or for the erection of any building, structure, or improvements in their place as follows:

(i) at the end of each month (upon written verification by Trustor's architect), an amount that will be that proportion of the insurance proceeds held in trust that ninety percent (90%) of the payments to be made to the contractors or material suppliers for work done, materials supplied and services rendered during that month bears to the total contract price;

(ii) at the completion of the work, the balance of the proceeds required for completing the payments for the work will be paid to or for the account of Trustor, provided that at the time of the payment: (A) there are no liens (as evidenced by an endorsement satisfactory to Beneficiary issued by Trustee) against the Property by reason of the work, or proof satisfactory to Beneficiary has been submitted that all costs of the work have been paid; and (B) Trustor's architect will certify that all required work is completed and is proper and of a quality and class as the original work required by the original plans and specifications and is in accordance with the approved plans and specifications.

If the insurance proceeds exceed the costs of completing the work, the excess insurance proceeds will belong to and be retained by or be paid over to Beneficiary to be applied against the Indebtedness. If the costs of completing the work exceed the insurance proceeds, Trustor will pay the balance of the costs of completing the work within thirty (30) days after the completion.

Section 7.2 Condemnation

Trustor, immediately upon obtaining knowledge of the institution of any proceedings for the condemnation of the Property or any portion of it, will notify Trustee and Beneficiary of the pendency of the proceedings. Trustee and Beneficiary may participate in any such proceedings, and Trustor from time to time will deliver to Beneficiary all instruments requested by Beneficiary to permit participation. If there are condemnation proceedings, the award or compensation payable is assigned to and will be paid to Beneficiary. Beneficiary will be under no obligation to question the amount of any award or compensation and may accept it in the amount in which it is paid. In any condemnation proceedings, Beneficiary may be represented by counsel selected by Beneficiary. The proceeds of any award or compensation received will, at the option of Beneficiary, either be applied, without premium, to the prepayment of the Indebtedness or be paid over to Trustor for restoration of the Improvements in accordance with the provisions of Section 7.1 of this Deed of Trust.

ARTICLE 8. EVENTS OF DEFAULT AND REMEDIES OF BENEFICIARY.

Section 8.1 Events of Default, Notice and Cure Period

(a) Each of the following events is an "Event of Default":

(i) the failure, after notice and opportunity to cure as set forth below, to pay any sum when due under the Note or any other sum due under the Grant Documents;

(ii) the failure, after notice and opportunity to cure as set forth below, of any Party to observe, perform, or discharge any obligation, term, covenant, or condition of the Grant Documents, any agreement relating to the Property, or any agreement or instrument between any Party and Beneficiary, including, but not limited to the Regulatory Agreement, the Note, and the Grant Agreement;

(iii) the entry of an order for relief under federal bankruptcy laws as to Trustor or the adjudication of Trustor as insolvent or bankrupt pursuant to the provisions of any state insolvency or bankruptcy act; the commencement by Trustor of any case, proceeding, or other action seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution, or similar relief for itself under any present or future

statute, law, or regulation relating to bankruptcy, insolvency, reorganization, or other relief for debtors; Trustor's consent to, acquiescence in, or attempt to secure the appointment of, any Receiver of all or any substantial part of its properties or of the Property; Trustor's generally not paying its debts as they become due or admitting in writing its inability to pay its debts or making a general assignment for the benefit of creditors; or Trustor's taking of any action to authorize any of the acts set forth above in this Section;

(iv) any case, proceeding, or other action against Trustor is commenced, seeking to have an order for relief entered against it as a debtor or seeking any reorganization, arrangement, composition, adjustment, liquidation, dissolution, or similar relief under any present or future statute, law, or regulation relating to bankruptcy, insolvency, reorganization, or other relief for debtors, or seeking appointment of any Receiver for Trustor or for all or any substantial part of its property or for the Property, and that case, proceeding, or other action (i) results in the entry of an order for relief against it that is not fully stayed within seven (7) Business Days after the entry, or (ii) remains undismissed for an aggregate of one hundred twenty (120) days (whether or not consecutive); or the possibility that any portion of the Property would, by operation of law or otherwise, devolve on or pass to any Person other than Trustor and that situation continues and is not remedied by Trustor within thirty (30) days after the happening of the event;

(v) the assignment by Trustor, as lessor or sublessor, as the case may be, of the rents or the income of the Property or any part of it (other than to Beneficiary) without first obtaining the written consent of Beneficiary;

(vi) the filing of any claim or lien against the Property or any part of it, whether or not the lien is prior to this Deed of Trust, and the continued maintenance of the claim or lien for a period of thirty (30) days without discharge, satisfaction, or adequate bonding in accordance with the terms of this Deed of Trust;

(vii) the existence of any interest in the Property other than those of Trustor, Beneficiary, and any tenants of Trustor; or

(viii) the sale, hypothecation, conveyance, or other disposition of the Property except in accordance with Sections 5.2 or 5.3 of this Deed of Trust, any of which will be an Event of Default because Trustor's obligation to own and operate the Property is

one of the inducements to Beneficiary to fund the Grant;

(ix) any representation or warranty made by any Party or any other Person under this Deed of Trust or in, under, or pursuant to the Grant Documents, is false or misleading in any material respect as of the date on which the representation or warranty was made and breach of such representation or warranty materially and adversely affects the security for the Grant;

(x) any of the Grant Documents, at any time after their respective execution and delivery and for any reason, cease to be in full force or are declared null and void, or the validity or enforceability of the Grant Documents is contested by any Party or any stockholder or partner of any Party, or any Party denies that it has any or further liability or obligation under any of the Grant Documents to which it is a party;

(xi) any of the Security Documents, at any time after their respective execution and delivery and for any reason, cease to constitute valid and subsisting liens or valid and perfected security interests in and to the property purported to be subject to any of the Security Documents; or

(xii) the occurrence of any Material Adverse Change.

(b) Notice of Event of Default:

Prior to declaring an Event of Default, the Beneficiary shall give written notice thereof ("Notice of Default") to Trustor and to any lender who has requested such notice by certified mail addressed to Trustor at the address stated in this Deed of Trust and to any lender requesting such notice at the address set forth in the request for notice from such lender, or such other addresses as may have been designated by such parties from time to time in writing. The written Notice of Default shall specify the nature of the default, the remedial actions necessary to cure the default, and a reasonable time period (not less than the time periods set forth below) after receipt of the Notice of Default to commence remedial actions. If the default is not cured to the reasonable satisfaction of the Beneficiary within the cure period, the Beneficiary may, without further prior notice, declare in writing an Event of Default under this Deed of Trust effective on the date of such declaration.

(c) Cure Period:

The following shall constitute the cure periods under this Deed of Trust:

(i) The cure period for the failure to pay a monetary obligation shall be ten (10) days after Beneficiary gives Trustor written notice of such failure to pay; and

(ii) The cure period for Trustor's failure to perform any non-monetary obligation shall be thirty (30) days after Beneficiary gives Trustor written notice of such failure to perform; provided, however, in the event Trustor cannot reasonably cure such failure within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder so long as Trustor commences to cure such failure within such thirty (30) day period and thereafter diligently prosecutes such cure to completion to the satisfaction of the Beneficiary.

(d) Beneficiary's Rights Upon Event of Default:

If an Event of Default occurs, then Beneficiary may declare all the Indebtedness to be due and the Indebtedness will become due without any further presentment, demand, protest, or notice of any kind, and Beneficiary may:

(i) in person, by agent, or by a receiver, and without regard to the adequacy of security, the solvency of Trustor, or the existence of waste, enter on and take possession of the Property or any part of it in its own name or in the name of Trustee, sue for or otherwise collect the rents, issues, and profits, and apply them, less costs and expenses of operation and collection, including reasonable attorney's fees, upon the Indebtedness, all in any order that Beneficiary may determine. The entering on and taking possession of the Property, the collection of rents, issues, and profits, and the application of them will not cure or waive any default or notice of default or invalidate any act done pursuant to the notice;

(ii) commence an action to foreclose this Deed of Trust in the manner provided by law for the foreclosure of mortgages of real property;

(iii) deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause the Property to be sold, which notice Trustee or Beneficiary will cause to be filed for record;

(iv) with respect to any Personalty, proceed as to both the real and personal property in accordance with Beneficiary's rights and remedies in respect of the land, or proceed to sell the Personalty separately and without regard to the Land in

accordance with Beneficiary's rights and remedies; or

(v) exercise any of these remedies in combination or any other remedy at law or in equity.

(e) Non-Recourse:

The parties intend that the Note secured by this Deed of Trust shall be a non-recourse note. Therefore, the Beneficiary's remedy in an Event of Default under this Deed of Trust or the Note secured hereby shall be limited to foreclosure of the real property encumbered by this Deed of Trust or the exercise of power of sale and the other rights granted under this Deed of Trust, and the Beneficiary shall have no right to obtain a deficiency judgment after a foreclosure on such real property. This provision shall not apply in the event of Borrower's fraud, willful misrepresentation, misapplication of funds, waste or intentional damage to the Property.

Section 8.2 Power of Sale

(a) If Beneficiary elects to foreclose by exercise of the power of sale in this Deed of Trust, Beneficiary will also deposit with Trustee this Deed of Trust, the Note, and any receipts and evidence of expenditures made and secured as Trustee may require. If notice of default has been given as then required by law, and the time that may be required by law to have lapsed has lapsed, after recordation of the notice of default, Trustee will, without demand on Trustor and after notice of sale having been given as required by law, sell the Property at the time and place of sale fixed by it in the notice of sale, either as a whole or in separate parcels as Trustee determines, and in any order that it may determine, at public auction to the highest bidder. Trustee may postpone sale of all or any portion of the Property by public announcement at the time and place of sale, and from time to time after that may postpone the sale by public announcement at the time fixed by the preceding postponement, and without further notice make the sale at the time fixed by the last postponement; or Trustee may, in its discretion, give a new notice of sale. Beneficiary may rescind any notice of default at any time before Trustee's sale by executing a notice of rescission and recording it. The recordation of the notice will constitute a cancellation of any prior declaration of default and demand for sale and of any acceleration of maturity of Indebtedness affected by any prior declaration or notice of default. The exercise by

Beneficiary of the right of rescission will not constitute a waiver of any default then existing or subsequently occurring, or impair the right of Beneficiary to execute other declarations of default and demand for sale, or notices of default and of election to cause the Property to be sold, nor otherwise affect the Notes or this Deed of Trust, or any of the rights, obligations, or remedies of Beneficiary or Trustee. After sale, Trustee will deliver to the purchaser its deed conveying the property sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters or facts will be conclusive proof of their truthfulness. Any Person, including Trustor, Trustee, or Beneficiary, may purchase at that sale. If allowed by law, Beneficiary, if it is the purchaser, may turn in the Note at the amount owing on it toward payment of the purchase price (or for endorsement of the purchase price as a payment on the Note if the amount owing exceeds the purchase price). Trustor expressly waives any right of redemption after sale that Trustor may have at the time of sale or that may apply to the sale.

(b) Trustee, upon the sale, will make (without any covenant or warranty, express or implied), execute and, after due payment made, deliver to a purchaser and its heirs or assigns a deed or other record of interest, as the case may be, to the Property sold, which will convey to the purchaser all the title and interest of Trustor in the Property and will apply the proceeds of the sale in payment:

(i) first, of the expenses of the sale together with the expenses of the trust, including, without limitation, attorney's fees, that will become due on any default made by Trustor, and also any sums that Trustee or Beneficiary have paid for procuring a search of the title to the Property subsequent to the execution of this Deed of Trust; and

(ii) second, in payment of the Indebtedness then remaining unpaid, and the amount of all other monies with interest in this Deed of Trust agreed or provided to be paid by Trustor.

Trustee will pay the balance or surplus of the proceeds of sale to Trustor and its successors or assigns as its interests may appear.

Section 8.3 Proof of Default

If there is a sale of the Property, or any part of it, and the execution of a deed for it, the recital of default and of the recording of notice of breach and election of sale, and

of the elapsing of the required time between the recording and the following notice, and of the giving of notice of sale, and of a demand by Beneficiary that the sale should be made, will be conclusive proof of the default, recording, election, elapsing of time, and the due giving of notice, and that the sale was regularly and validly made on proper demand by Beneficiary. Any deed with these recitals will be effectual and conclusive against Trustor, its successors, and assigns, and all other Persons. The receipt for the purchase money recited in any deed executed to the purchaser will be sufficient to discharge the purchaser from all obligations to see to the proper application of the purchase money.

Section 8.4 Protection of Security

If an Event of Default is declared and is continuing, Beneficiary or Trustee, without obligation to do so, without notice to or demand upon Trustor, and without releasing Trustor from any obligations or defaults may:

(a) enter on the Property in any manner and to any extent that either deems necessary to protect the security of this Deed of Trust;

(b) appear in and defend any action or proceeding purporting to affect, in any manner, the Obligations or the Indebtedness, the security of this Deed of Trust, or the rights or powers of Beneficiary or Trustee;

(c) pay, purchase, or compromise any encumbrance, charge, or lien that in the judgment of Beneficiary or Trustee is prior or superior to this Deed of Trust; or

(d) pay necessary expenses, employ counsel, and pay reasonable attorney's fees.

Trustor agrees to repay on demand all sums expended by Trustee or Beneficiary pursuant to this Section with interest at the Default Rate, and those sums, with interest, will be secured by this Deed of Trust.

Section 8.5 Receiver

If an Event of Default occurs, Beneficiary, as a matter of strict right and without notice to Trustor or anyone claiming under Trustor and without regard to the then value of the Property, will have the right to apply ex parte to any court having jurisdiction to appoint a Receiver of the Property, and Trustor waives notice of any such application, provided a hearing to confirm the appointment with notice to Trustor is set within fourteen

(14) days after the appointment. Any Receiver will have all the powers and duties of receivers in similar cases and all the powers and duties of Beneficiary in case of entry as provided in this Deed of Trust and will continue as such and exercise all those powers until the date of confirmation of sale unless the receivership is terminated sooner.

Section 8.6 Beneficiary's Option to Cure the Default

If Trustor at any time fails to perform or comply with any of the terms, covenants and conditions required on Trustor's part to be performed and complied with under this Deed of Trust, the Note, any of the other Grant Documents, or any other agreement that under the terms of this Deed of Trust the Trustor is required to perform, then the Beneficiary, after seven (7) Business Days' notice to Trustor (or without notice if Beneficiary determines that an emergency exists) and without waiving or releasing Trustor from any of the Obligations, may, at its sole discretion and option, subject to the provisions of any of such agreements:

(a) make from its own funds any payments payable by Trustor and take out, pay for, and maintain any of the insurance policies provided for; and

(b) perform any other acts on the part of Trustor to be performed and enter on the Property for that purpose.

The making by Beneficiary of payments out of Beneficiary's own funds will not, however, be deemed to cure the default by Trustor, and the default will not be cured unless and until Trustor reimburses Beneficiary for the payments. All sums paid and all reasonable costs and expenses incurred by Beneficiary in connection with the performance of any act, together with interest on any unpaid balance at the Default Rate from the respective dates of Beneficiary's making of each payment, will be added to the principal of the Indebtedness, will be secured by the Security Documents and by the lien of this Deed of Trust, prior to any right, title, or interest in or claim on the Property attaching or accruing subsequent to the lien of this Deed of Trust, and will be payable by Trustor to Beneficiary on demand.

Section 8.7 Additional Post-Default Inspection Rights

On reasonable notice (except in the case of an emergency), and without releasing Trustor from any obligation to cure any default of Trustor, Beneficiary or its

agents, representatives, and employees acting by themselves or through a court-appointed receiver, may, from time to time and at all reasonable times (or at any time in the case of an emergency) enter and inspect the Property and every part of it (including all samples of building materials, soil and groundwater, and all books, records and files of Trustor relating to the Property) and perform any acts and things as Beneficiary deems necessary or desirable to inspect, investigate, assess, and protect the security of this Deed of Trust, for the purpose of determining:

(a) the existence, location, nature, and magnitude of any past or present Release or threatened Release,

(b) the presences of any Hazardous Substances on or about the Property in violation of any Hazardous Substance Law, and

(c) the compliance by Trustor of every environmental provision of this Deed of Trust and every other Grant Document.

In furtherance of these purposes and without limitation of any of its other rights, Beneficiary may:

(a) obtain a court order to enforce Beneficiary's right to enter and inspect the Property under Civil Code Section 2929.5, to which the decision of Beneficiary as to whether there exists a Release, threatened Release, any Hazardous Substance on or about the Property in violation of any Hazardous Substance Law, or a breach by Trustor of any environmental provision of this Deed of Trust or any other Grant Document, will be deemed reasonable and conclusive as between Trustor, Trustee, and Beneficiary; and

(b) have a receiver appointed under Code of Civil Procedure Section 564 to enforce Beneficiary's right to enter and inspect the Property for Hazardous Substances.

All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations that Beneficiary or its agents, representatives, or employees may conduct, including the fees of the engineers, laboratories, contractors, consultants, and attorneys, will be paid by Trustor. In exercising its rights under this Section, Beneficiary shall use its best efforts not to materially interfere with Trustor's operation on the Property. All costs or expenses incurred by Trustee and Beneficiary pursuant to this Section (including, without limitation, court costs, consultant's fees and

attorney's fees, whether incurred in litigation and whether before or after judgment) will bear interest at the Default Rate from the date they are incurred until they have been paid in full. Except as provided by law, any inspections or tests made by Beneficiary or its representatives, employees and agents will be for Beneficiary's purposes only and will not be construed to create any responsibility or liability on the part of Beneficiary to Trustor or to any other person. Beneficiary will have the right, but not the obligation, to communicate with any governmental authority regarding any fact or reasonable belief of Beneficiary that constitutes or could constitute a breach of any of Trustor's obligations under any environmental provision in this Deed of Trust or any Grant Document.

Section 8.8 Judgment on Environmental Provision

Beneficiary or its agents, representatives, and employees may seek a judgment that Trustor has breached its covenants, representations, or warranties in Article 6 of this Deed of Trust or any other covenants, representations, or warranties that are deemed to be "environmental provisions" pursuant to Code of Civil Procedure Section 736 (each an "Environmental Provision"), by commencing and maintaining an action or actions in any court of competent jurisdiction pursuant to Code of Civil Procedure Section 736, whether commenced prior to or after foreclosure of the lien of this Deed of Trust. Beneficiary or its agents, representatives and employees may also seek an injunction to cause Trustor to abate any action in violation of any Environmental Provision and may seek the recovery of all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties and other out-of-pocket costs or expenses actually incurred by Beneficiary (collectively, "Environmental Costs") incurred or advanced by Beneficiary relating to the cleanup, remedy or other response action required by any Hazardous Substance Law, or any Hazardous Substance Claim, or which Beneficiary believes necessary to protect the Property. It will be conclusively presumed between Beneficiary and Trustor that all Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remedy, or other response action of or to the Property were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary under this Section (including, without limitation, court costs, consultant fee, and attorney's fees, whether incurred in litigation and whether before or after judgment) will bear interest at the

Default Rate from the date of expenditure until those sums have been paid in full. Beneficiary will be entitled to bid, at any trustee's or foreclosure sale of the Property, the amount of the costs, expenses, and interest in addition to the amount of other Indebtedness.

Section 8.9 Waive Lien

Beneficiary or its agents, representatives, and employees may waive its lien against the Property or any portion of it, including the Improvements and the Personal Property, to the extent that the Property is found to be environmentally impaired in accordance with Code of Civil Procedure Section 726.5, and may exercise all rights and remedies of an unsecured creditor against Trustor and all of Trustor's assets and property for the recovery of any deficiency and Environmental Costs, including, but not limited to, seeking an attachment order under Code of Civil Procedure Section 483.010. As between Beneficiary and Trustor, for purposes of Code of Civil Procedure Section 726.5, Trustor will have the burden of proving that Trustor or any related party (or any affiliate or agent of Trustor or any related party) was not in any way negligent in permitting the Release or threatened Release of the Hazardous Substance.

Section 8.10 Exception to Non-recourse

Trustor agrees that regardless of anything in this Deed of Trust or in the Grant Documents, the Environmental Costs will be exceptions to any non-recourse or exculpatory provision of the Grant Documents, and Trustor will be fully and personally liable for the Environmental Costs. That liability will not be limited to the original principal amount of the obligations secured by this Deed of Trust, and Trustor's obligations will survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Property or this Deed of Trust. For the purposes of any action brought under this Section, Trustor waives the defense of laches and any applicable statute of limitations.

Section 8.11 Remedies Cumulative

All remedies of Beneficiary provided for in this Deed of Trust are cumulative and will be in addition to all other rights and remedies provided in the other Grant Documents, or provided by law or equity, including any banker's lien or right of offset. The exercise of any right or remedy by Beneficiary will not in any way constitute a cure or

waiver of default, will not invalidate any act done pursuant to any notice of default, and will not prejudice Beneficiary in the exercise of any of its rights unless, in the exercise of those rights, Beneficiary collects the total amount of the Indebtedness.

II. SECURITY AGREEMENT AND FIXTURE FILING.

ARTICLE 9. SECURITY AGREEMENT.

Section 9.1 Grant of Security Interest

Trustor also grants to Beneficiary a security interest in all of Trustor's right, title, and interest now owned or later acquired to the following property (collectively, "Collateral") which is now or later affixed to or located on the Property, or used in connection with the operation of the Property or the Improvements and all the proceeds of that property: the Personalty; the Fixtures; all machinery, equipment, engines, appliances, and fixtures for generating or distributing air, water, heat, electricity, light, fuel, or refrigeration, or for cooling or ventilating or sanitary purposes, or for the exclusion of vermin or insects, or for the removal of dust, refuse, or garbage; all built-in furniture and installations, shelving, lockers, partitions, elevators, awnings, light fixtures, fire hoses and brackets and boxes for them, fire sprinklers, alarm systems, screens, linoleum, carpets, plumbing, bathtubs, sinks, basins, pipes, faucets, water closets, laundry equipment, washers, dryers, refrigerators, heating units, stoves, ovens, ranges, dishwashers, disposals, water heaters, incinerators, furniture, fixtures, and furnishings; all communication systems; all specifically designed installations and furnishings; all building materials, supplies and equipment now or later delivered to the Property; all office equipment, including, without limitation, all computer, computer systems, hardware and software, access codes, access keys, computer programs, file names, typewriters, duplicating machines, word processing equipment, adding machines, calculators, dictating equipment, printing presses, and related equipment; all inventories and supplies, including, without limitation, office supplies, soap, light bulbs and other electronic or audio/video equipment; all security and cleaning deposits collected from any tenants or lessees of any part of the Property, all deposits collected from purchasers pursuant to contracts for sale of the Property or any portion of the Property; and, subject to the other provisions of this Deed of

Trust, all proceeds of any fire and builder's risk insurance policy, or of any policy insuring the Property (and the contents of the Improvements) against any other perils, all awards made in eminent domain proceedings or purchases in lieu thereof made with respect to the Property, and any compensation, award, payment, or relief given by any governmental agency or other source because of damage to the Property resulting from earthquake, flood, windstorm, or any emergency or any other event or circumstance. The specific enumerations in this Section and elsewhere in this Deed of Trust do not exclude the general.

The security interest also includes all additions to, substitutions for, changes in, or replacements of the whole or any part of these articles of property, together with all contract rights of Trustor in construction contracts, bonds, agreements for purchase and sale of the Property, all policies of insurance arising out of the improvement or ownership of the Property, and all accounts, contract rights, chattel paper, instruments, general intangibles, and other obligations of any kind now or later existing, arising out of, or in connection with the operation or development of the Property. The security interest also includes all rights now or later existing in all security agreements, leases, and other contracts securing or otherwise relating to any accounts, contract rights, chattel paper, instruments, general intangibles, or obligations; all causes of action and recoveries now or later existing for any loss or diminution in value of the Property; all proceeds of any of the Collateral; and to the extent not otherwise included, all payments under insurance (whether Beneficiary is the loss payee), or any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to any of the Collateral.

Section 9.2 Remedies

This Deed of Trust constitutes a security agreement with respect to the Collateral in which Beneficiary is granted a security interest. Beneficiary has all of the rights and remedies of a secured party under the California Uniform Commercial Code as well as all other rights and remedies available at law or in equity. Trustor agrees to execute and deliver on demand, and irrevocably constitutes and appoints Beneficiary the attorney-in-fact of Trustor to execute, deliver, and file, any security agreements, financing statements, continuation statements, or other instruments that Beneficiary may request to

impose, perfect or continue the perfection of the lien or security interest created by this Deed of Trust. On the occurrence of any Event of Default (taking into account any applicable period of grace or cure), Beneficiary will have the right to sell at any public or private sale as permitted by applicable law any of the Collateral that is personal property. Beneficiary will also have any other rights and remedies, whether at law, in equity, or by statute that are available to secured creditors. Any disposition may be conducted by an employee or agent of Beneficiary or Trustee. Any Person, including both Trustor and Beneficiary, will be eligible to purchase any part or all of the Collateral at any disposition.

Section 9.3 Expenses

Expenses of retaking, holding, and preparing for sale, selling or the like will be borne by Trustor and will include Beneficiary's and Trustee's attorney's fees and legal expenses. Trustor, on demand of Beneficiary, will assemble the Collateral, and make it available to Beneficiary at the Property, a place deemed to be reasonably convenient to Beneficiary and Trustor. Beneficiary will give Trustor at least ten (10) days' prior written notice of the time and place of any public sale or other disposition of the Collateral or of the time after which any private sale or any other intended disposition is to be made. If the notice is sent to Trustor in the manner provided for the mailing of notices in this Deed of Trust, then such notice is deemed reasonable notice to Trustor.

Section 9.4 Fixture Filing

(a) This Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the county in which the Property is located with respect to all Fixtures included within the term "Property" as used in this Deed of Trust and with respect to any goods, Collateral, or other personal property that may now be or later become fixtures.

(b) To protect the Beneficiary against the effect of Uniform Commercial Code Section 9113, it is understood and agreed that except for ordinary maintenance and repair, if any fixture owned by Trustor on the Property, or any part of any fixture, is replaced or added to, or any new fixture owned by Trustor is installed by Trustor, and in each case the fixture has a cost or fair market value in excess of Two Hundred Dollars ($200.00), and the fixture is or may be subject to a security interest held by a seller or any other party, the

following will apply:

(i) Trustor or any owner of all or any part of the Property will, before the replacement, addition, or installation of any fixture, obtain the prior written approval of Beneficiary and give Beneficiary written notice that a security agreement with respect to the fixture has been or will be consummated, and the notice will contain the following information:

(A) a description of the fixtures to be replaced, added to, installed, or substituted;

(B) a recital of the location at which the fixtures will be replaced, added to, installed, or submitted;

(C) a statement of the name and address of the holder and amount of the security interest; and

(D) the date of the purchase of the fixtures.

Neither this Section nor any consent by Beneficiary pursuant to this Section will constitute an agreement to subordinate any right of Beneficiary in fixtures or other property covered by this Deed of Trust.

(ii) Beneficiary may at any time pay the balance due under any security agreement covering the fixtures, and the amount paid will be:

(A) secured by this Deed of Trust and will be a lien on the Property, enjoying the same priorities as this Deed of Trust,

(B) added to the amount of the Note or other obligations secured by this Deed of Trust, and

(C) payable on demand with interest at the Default Rate from the time of the payment; and if Trustor is in default for ten (10) days after demand, the entire principal sum secured with all unpaid interest will, at the Beneficiary's option, become immediately due, regardless of any contrary provision in this Deed of Trust or the Note; or Beneficiary will have the privilege of acquiring by assignment from the holder of the security interest any contract rights, accounts receivable, chattel paper, negotiable or nonnegotiable instruments, or other evidence of Trustor's indebtedness for the fixtures, and on acquiring these interests by assignment, will have the right to enforce the security interest as an

assignee in accordance with the California Uniform Commercial Code and other applicable law.

(iii) whether Beneficiary has paid or taken an assignment of the security interest, if at any time Trustor is in default for a period of ten (10) days under the security agreement covering the fixtures, that default will be considered a material breach of Trustor's covenants under this Deed of Trust, and will, at Beneficiary's option, constitute a default under this Deed of Trust, and the principal sum secured will, at Beneficiary's option, become immediately due.

(iv) the provisions of subsections (ii) and (iii) above will not apply if the goods that may become fixtures are of at least equivalent value and quality as any property being replaced and if the rights of the party holding the security interest have been expressly subordinated, at no cost to Beneficiary, to the lien of this Deed of Trust in a manner satisfactory to Beneficiary, including, without limitation, at Beneficiary's option, providing to Beneficiary a satisfactory opinion of counsel that this Deed of Trust constitutes a valid and subsisting first lien on the fixtures that is not subordinate to the lien of the security interest under any applicable law, including, without limitation, the provisions of Uniform Commercial Code Section 9313.

Section 9.5 Assignment of Agreements

(a) As partial security for repayment of the Grant should it become repayable, Trustor sells, assigns, transfers, sets over, and delivers to Beneficiary all of Trustor's right, title, and interest in all agreements, permits, and contracts pertaining to the use or operation of the Property, including, but not limited to, environmental impact reports, negative declarations, map approvals, grading and construction permits, conditional use permits, applications for all permits, management agreements, all development rights in the Property that Trustor may now or later acquire (including, without limitation, development rights arising in connection with any action by a governmental entity, including, by way of illustration, but not of limitation, inducement resolutions of county, municipal, or other governmental entities), and agreements pertaining to the transfer of development rights or permitted floor area under applicable laws or ordinances (collectively, "Agreements"), as they may be amended or otherwise modified from time to time, including, without limitation,

the right of Trustor to terminate any of the Agreements, to perform under them, and to compel performance and otherwise exercise all remedies under them, together with the immediate and continuing right to collect and receive all sums that may become due to Trustor or which Trustor may now or later become entitled to demand or claim, arising or issuing out of the Agreements, including, without limitation, claims of Trustor for damages arising out breach of or default under any of the Agreements and all rights of Trustor to receive proceeds of any insurance, indemnity, warranty, or guaranty with respect to any of the Agreements. However, so long as no Event of Default has occurred and is continuing, Trustor will have the right under a license granted to collect and retain all sums that may become payable to Trustor under the Agreements.

(b) Trustor covenants and agrees to punctually observe, perform, and discharge the obligations, terms, covenants, conditions, and warranties to be observed, performed, and discharged by it under the Agreements. Beneficiary, upon an Event of Default, at its option and upon written notice to Trustor, will have the right to declare the assignment in this Section 9.5 to be absolute; and, in addition, Beneficiary will have the complete right then or later to exercise and enforce all of the rights and remedies provided by law.

(c) The acceptance by Beneficiary of the assignment in this Section, with all of the rights powers, privileges, and authority granted will not (prior to the exercise of Beneficiary's right to declare the assignment in this Section to be absolute) obligate Beneficiary to assume any obligations under the Agreements or to take any action under them, or to expend any money or incur any expense or perform or discharge any obligation, duty, or liability under the Agreements, or to assume any obligation or responsibility for the nonperformance of the provisions by Trustor.

III. ASSIGNMENT OF LEASES AND RENTS.

ARTICLE 10. ASSIGNMENT OF LEASES AND RENTS.

Section 10.1 Assignment

Trustor irrevocably assigns to Beneficiary:

(a) all of Trustor's right, title and interest in all leases, all agreements

relating to the management, leasing, or operation of the Property, and all other agreements of any kind relating to the use or occupancy of the Property, whether now existing or entered into after the date of this Deed of Trust ("Leases"); and

(b) the rents, issues and profits of the Property, including, without limitation, all amounts payable and all rights and benefits accruing to Trustor under the Leases ("Payments") for the purposes and on the terms and conditions below.

The term "Leases" will also include all guarantees of and security for the lessees' performance, and any amendments, extensions, renewals or modifications that are permitted. This is a present and absolute assignment, not an assignment for security purposes only, and Beneficiary's right to the Leases and Payments is not contingent on, and may be exercised without, possession of the Property. The terms "lessor" and "lessors" will include all owners, landlords, licensors, and other parties in a similar position with respect to the Leases. The terms "lessee" and "lessees" will include any tenants and licensees and any other parties in a similar position and will also include any guarantor of or other obligors under the Leases.

Section 10.2 License

Beneficiary confers on Trustor a license ("License") to collect and retain the Payments as they become due until the occurrence of an Event of Default. Upon an Event of Default, the License will be automatically revoked and Beneficiary may collect and retain the Payments without notice and without taking possession of the Property. Trustor irrevocably authorizes and directs the lessees under the Leases to rely on and comply with any notice or demand by Beneficiary for the payment to Beneficiary of any rental or other sums that may at any time become due under the Leases, or for the performance of any of the lessees' undertakings under the Leases. The lessees will have no right or duty to inquire as to whether any Default has actually occurred or is then existing. Trustor relieves the lessees from any liability to Trustor by reason of relying on and complying with any notice or demand by Beneficiary.

Section 10.3 Effect of Assignment

The assignment will not impose on Beneficiary any duty to produce rents, issues or profits from the Property, or cause Beneficiary to be:

(a) a "mortgagee-in-possession" for any purpose;

(b) responsible for performing any of the obligations of the lessor under any of the Leases; or

(c) responsible for any waste committed by lessees or any other parties, any dangerous or defective condition of the Property, or any negligence in the management, upkeep, repair or control of the Property.

Beneficiary will not be liable to Trustor or any other party as a consequence of the exercise of the rights granted to Beneficiary under this assignment or the failure of Beneficiary to perform any obligation of Trustor arising under the Leases.

Section 10.4 Leasing Covenants

Trustor covenants and agrees as follows:

(a) at Trustor's sole cost to:

(i) perform all obligations of the lessor under the Leases and enforce performance by the lessees of their obligations under the Leases;

(ii) subject to the provisions of Section 10.4(b)(iv) below, enforce all remedies available to Trustor in case of default by the lessees under any of the Leases and prosecute and defend any action, arbitration, or other controversy relating to any of the Leases or to Trustor's interest in any of the Leases;

(iii) give Beneficiary prompt notice of any default that occurs under any of the Leases, whether by the lessees or Trustor;

(iv) exercise diligent, good-faith efforts to keep all portions of the Property leased at all times;

(v) promptly upon execution, deliver to Beneficiary fully executed counterpart originals of the Leases (if requested by Beneficiary); and

(b) except with Beneficiary's prior written consent, not to:

(i) enter into any Leases after the date of this Deed of Trust (except leases to residential tenants in the ordinary course of Trustor's business and in compliance with the terms and conditions set forth in the Regulatory Agreement);

(ii) execute any other assignment relating to any of the Leases or the Payments;

(iii) discount any rent or other sums due under the Leases or collect them in advance, other than to collect rent one (1) month in advance of the time when it becomes due;

(iv) terminate, modify, or amend any of the terms of the Leases or release or discharge the lessees from any obligations (except in the case of leases to residential tenants in the ordinary course of Trustor's business and in compliance with the terms and conditions set forth in the Regulatory Agreement);

(v) consent to any assignment or subletting by any lessee; or

(vi) subordinate any of the Leases to any other deed of trust or encumbrance.

Any attempted action in violation of the provisions of Section 10.4(b) will be voidable at Beneficiary's election.

Section 10.5 Application of Rents

Beneficiary, in its sole discretion, may apply, or require the application of, all amounts received pursuant to the assignment to the payment of any one or more of the Obligations in any order that Beneficiary may elect.

Section 10.6 Remedies with Regard to Assignment of Leases and Rents

In addition to any other remedies in this Deed of Trust, Beneficiary will have the following rights and remedies upon the occurrence of an Event of Default:

(a) To receive the Payments and any other amounts arising or accruing under the Leases or from the Property;

(b) To collect, sue for, settle, compromise, and give releases for the Payments and pursue and remedies for the enforcement of the Leases or Trustor's rights under the Leases; and

(c) To take possession of the Property and hold, manage, lease and operate it on any terms and for any period of time that Beneficiary may deem proper and, either with or without taking possession of the Property, in its own name, make from time to time all alterations, renovations, repairs, or replacements that Beneficiary may deem proper.

ARTICLE 11. MISCELLANEOUS.

Section 11.1 Successor Trustee

Beneficiary may remove Trustee or any successor trustee at any time and appoint a successor trustee by recording a written substitution in the county where the Property is located, or in any other manner permitted by law. Upon that appointment, all of the powers, rights and authority of Trustee will immediately become vested in the successor.

Section 11.2 Change of Law

If any law is passed after the date of this Deed of Trust that deducts from the value of the Property (for the purposes of taxation), or the value of any lien on the Property, or changes in any way the laws now in force for the taxation of mortgages, deeds of trust or debts secured by mortgage or deed of trust (other than laws imposing taxes on income) or the manner of the collection of any taxes and such new law adversely affects the rights of Beneficiary as holder of the Note and Beneficiary under this Deed of Trust, the Indebtedness may become due at Beneficiary's reasonable discretion, exercised by thirty (30) days' notice to Trustor unless Trustor, within that thirty (30) day period and if permitted by law, assumes the payment of any tax or other charge imposed on Beneficiary for the period remaining until full payment by Trustor of the Indebtedness.

Section 11.3 No Waiver

No waiver by Beneficiary of any default or breach by Trustor will be implied from any omission by Beneficiary to take action on account of that default if the default persists or is repeated. Also, no express waiver will affect any default other than the default expressly waived, and such waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Deed of Trust will not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by Beneficiary for any act by Trustor requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval for any subsequent similar act.

Section 11.4 Abandonment

Subject to any chattel mortgages, security agreement, or other liens on title that may exist with the consent of Beneficiary, or any provided for in this Deed of Trust, all Personalty that upon foreclosure of the Property is owned by Trustor and is used in connection with the operation of the Property will be deemed at Beneficiary's option to have become on that date a part of the Property and abandoned to Beneficiary in its then condition.

Section 11.5 Notices

All notices, advices, demands, requests, consents, statements, satisfactions, waivers, designations, refusals, confirmations, or denials that may be required or contemplated under this Deed of Trust ("Notices") for any party to serve on or give to any other will be in writing, and, if not in writing, will not be deemed to have been given. Notices shall be deemed served upon personal service or five (5) calendar days after deposit in certified first-class United States mail, postage prepaid, and addressed to the parties as follows:

(a) If to Trustor, addressed to:

Upward Bound House
1104 Washington Avenue
Beverly Hills, CA 90401
Attn: Executive Director

(b) If to Beneficiary, addressed to:

City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, California 90210
Attn: City Manager

With a copy to:

City of Beverly Hills, City Attorney's Office
455 N. Rexford Drive
Beverly Hills, California 90210
Attn: City Attorney

All Notices shall specify the address of the Property.

Section 11.6 Survival

The covenants and agreements in this Deed of Trust will bind and inure to the benefit of Beneficiary and Trustor and their successors and assigns. Beneficiary may assign to or grant a participation in any one or more lenders, free from any right of counterclaim, recoupment, or offset by Trustor, Beneficiary's rights and obligations in whole or in part under the Grant Documents. Nothing in this Section is intended to limit any other provisions in the Grant Documents that by their terms survive the repayment of the Indebtedness or the termination of any Grant Document.

Section 11.7 Severability

If any term, provision, covenant, or condition of this Deed of Trust or any application of it is held by a court of competent jurisdiction to be invalid, void or unenforceable in whole or in part, all terms, provisions, covenants and conditions of this Deed of Trust and all applications of it not held invalid, void or unenforceable will continue in full force and will not be affected, impaired or invalidated.

Section 11.8 References to Foreclosure

References in this Deed of Trust to "foreclosure" and related phrases are references to the appropriate procedure in connection with Trustee's private power of sale, any judicial foreclosure proceeding, and any deed given in lieu of foreclosure.

Section 11.9 Joinder of Foreclosure

If Beneficiary holds any other or additional security for the payment of any Indebtedness or performance of any Obligation, its sale or foreclosure on any default in the payment or performance, in Beneficiary's sole discretion, may be prior to, subsequent to, or joined or otherwise contemporaneous with any sale or foreclosure. In addition to the rights in this Deed of Trust specifically conferred, Beneficiary may at any time exercise any right or remedy now or later given by law or equity to beneficiaries under deeds of trust generally or to the holders of any obligations of the kind secured.

Section 11.10 Methods of Extension, Release and Reconveyance

At any time and from time to time, without liability and without notice, and without releasing or otherwise affecting the liability of any person for payment of any Indebtedness,

(a) Beneficiary, at its sole discretion and only in writing, may extend the

time for or release any Person now or later liable for payment of any Indebtedness, or accept or release additional security, or subordinate the lien or charge of this Deed of Trust; or

(b) Trustee, on written request by Beneficiary and presentation of the Notes and any additional notes secured by this Deed of Trust and this Deed of Trust for endorsement, may reconvey any part of the Property, consent to the making of any map or plat of it, join in granting any easement on it, or join in any agreement of extension or subordination.

On Beneficiary's written request and surrender of the Notes and any additional notes secured by this Deed of Trust and this Deed of Trust to Trustee for cancellation, and on payment to Trustee of its fees and expense, Trustee will reconvey without warranty the then trust property. The recitals in any reconveyance will be conclusive proof of the truthfulness of them, and the grantee in any reconveyance may be described as "the person legally entitled."

Section 11.11 Copies

Trustor will promptly give to Beneficiary copies of all notices of violation that Trustor receives from any governmental agency or authority and all notices of default that Trustor receives under any agreement relating to the borrowing of money by Trustor from any Person.

Section 11.12 ERISA Compliance

Trustor will at all times comply with the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to any retirement or other employment benefit plan to which it is a party as employer. As soon as possible after Trustor knows, or has reason to know, that any Reportable Event (as defined in ERISA) with respect to any plan of Trustor has occurred, it will furnish to Beneficiary a statement in writing setting forth details about the Reportable Event and the action, if any, that Trustor proposes to take, together with a copy of the notice of the Reportable Event furnished to the Pension Benefit Guaranty Corporation. In addition, if at any time the Indebtedness evidenced by the Notes is deemed in whole or in part to be a transaction prohibited by the provisions of ERISA, Trustor will immediately reimburse Beneficiary on demand for all taxes

levied against or costs incurred by Beneficiary or Trustee by reason of the Reportable Event.

Section 11.13 Subordination

At the option of Beneficiary, this Deed of Trust will become subject and subordinate, in whole or in part (but not with respect to priority of entitlement to any insurance proceeds, damages, awards or compensation resulting from damage to the Property or condemnation or exercise of power of eminent domain), to any contracts of sale or any leases of the Property on the execution by Beneficiary and recording of a unilateral declaration to that effect in the official records of the county and state where the Property is located. Beneficiary may require the issuance of any title insurance endorsements to the Title Policy in connection with any subordination that Beneficiary, in its judgment, determines are appropriate, and Trustor will be obligated to pay any cost or expense incurred in connection with the issuance.

Section 11.14 No Merger

So long as any of the Indebtedness remains unpaid or Trustor has any further obligation under the Grant Documents unless Beneficiary otherwise consents in writing, the fee estate of Trustor in the Property or any part of it will not merge, by operation of law or otherwise, with any leasehold or other estate in the Property or any part of it, but will always be kept separate and distinct, regardless of the union of the fee estate and the leasehold or other estate in Trustor or any other Person.

Section 11.15 Inspection of Property

Beneficiary is authorized by itself or its agents, employees, or workers, to enter at any reasonable time on prior written notice to Trustor on any part of the Property for the purpose of inspecting it, and for the purpose of performing any of the acts it is authorized to perform under the terms of this Deed of Trust. Trustor agrees to cooperate with Beneficiary to facilitate any inspection. Beneficiary agrees not to disturb the Trustor's quiet enjoyment of the Property in the course of Beneficiary's inspection.

Section 11.16 Performance by Trustor

Trustor will faithfully perform every covenant to be performed by Trustor under any lien or encumbrance, including, without limiting the generality of this Deed of Trust, any

construction loan or permanent financing, mortgages, deeds of trust, leases, declarations or covenants, conditions and restrictions, and any other agreements that affect the Property in law or in equity that Beneficiary reasonably believes may be prior and superior to or on a parity with the lien or charge of this Deed of Trust. A breach of or a default under any lien or encumbrance that exists after any applicable grace period in the pertinent instrument has expired without that breach or default having been cured, will constitute an Event of Default under this Deed of Trust. If Trustor fails to do so, Beneficiary, without demand or notice and in its sole judgment, may do any act or thing required of Trustor by any of the provisions in this Deed of Trust and incur and pay expenses in connection with such act or thing. Nothing in this Section affects Trustor's obligations pursuant to Sections 5.2 and 5.3 of this Deed of Trust or limits Beneficiary's rights.

Section 11.17 Personalty Security Instruments

Trustor agrees that if Beneficiary at any time holds additional security for any obligations secured by this Deed of Trust, it may enforce the terms of it or otherwise realize on it, at its option, either before or concurrently or after a sale is made under this Deed of Trust, and may apply the proceeds on the Indebtedness secured without affecting the status or waiving any right to exhaust any other security, including the security under this Deed of Trust, and without waiving any breach or default or any right or power, whether exercised under this Deed of Trust or in any other security.

Section 11.18 Suits to Protect Property

Trustor agrees to appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust or any additional or other security for the obligations secured, the interest of Beneficiary or the rights, powers or duties of Trustee, and to pay all costs and expenses, including, without limitation, cost of evidence of title and attorney's fees, in any action or proceeding in which Beneficiary or Trustee may appear or be made a party, including, but not limited to, any foreclosure or other proceeding commenced by those claiming a right to any part of the Property under subordinate liens, any action to partition or condemn all or part of the Property, whether pursued to final judgment, and any exercise of the power of sale in this Deed of Trust whether or not the sale is actually consummated.

Section 11.19 Junior Liens

Except as otherwise approved by the Beneficiary in writing, Trustor agrees that as of the date of this Deed of Trust there are no encumbrances to secure debts junior to this Deed of Trust and that there are to be none as of the date when this Deed of Trust becomes of record.

Section 11.20 Further Advances

On the request of Trustor or its permitted successors in ownership of the land, Beneficiary may at its option at any time before full payment of the Indebtedness make further advances to Trustor or the successors in ownership, with interest and late charges to be secured by this Deed of Trust. However, the amount of principal secured by this Deed of Trust (including the advance) and remaining unpaid at the time of the advance will not exceed the original principal sum secured. Also, if Beneficiary, at its option, makes a further advance or advances, Trustor or the successors in ownership agree to execute and deliver to Beneficiary a note, payable on or before the maturity of the Indebtedness secured and bearing any other terms that Beneficiary will require.

Section 11.21 Waiver of Statute of Limitations

The pleading of any statute of limitations as a defense to obligations secured by this Deed of Trust is waived, to the fullest extent permissible by law.

Section 11.22 Charges for Statements

Trustor agrees to pay Beneficiary's reasonable charges, to the maximum amount permitted by law, for any statement regarding the obligations secured by this Deed of Trust requested by Trustor or on its behalf.

Section 11.23 Entire Agreement

This Deed of Trust and the other Grant Documents set forth the entire understanding between Trustor and Beneficiary, and they will not be amended except by a written instrument duly executed by each of Trustor and Beneficiary. Any previous representations, warranties, agreements and understandings among the parties regarding the subject matter of the Grant or the Grant Documents whether written or oral, are superseded by this Deed of Trust and the other Grant Documents.

Section 11.24 Incorporation

All terms of the Grant Documents are incorporated in this Deed of Trust by this reference. All persons who may have or acquire an interest in the Property will be deemed to have notice of the terms of the Grant Documents .

Section 11.25 Waiver of Marshaling Rights

Trustor, for itself and for all parties claiming through or under Trustor, and for all parties who may acquire a lien on or interest in the Property, waives all rights to have the Property or any other property that is now or later may be security for any Obligation ("Other Property") marshaled on any foreclosure of this Deed of Trust or on a foreclosure of any other security for any of the Obligations. Beneficiary will have the right to sell, and any court in which foreclosure proceedings may be brought will have the right to order a sale of, the Property and any of the Other Property as a whole or in separate parcels, in any order that Beneficiary may designate. Beneficiary will have any rights provided by California Civil Code Sections 2899 and 3433, as such sections may be amended from time to time. Each successor and assign of Trustor, including any holder of a lien subordinate to this Deed of Trust, by acceptance of its interest or lien, agrees that it shall be bound by the above waiver as if it had given the waiver itself.

Section 11.26 Acceptance of Trust; Powers and Duties of Trustee

Trustee accepts this trust when this Deed of Trust is recorded. From time to time on written request of Beneficiary and presentation of this Deed of Trust for endorsement, and without affecting the personal liability of any person for payment of an indebtedness or the performance of any obligations, Trustee may, without liability and without notice: (i) reconvey all or any part of the Property; (ii) consent to the making of any map or plat; or (iii) join in any grant of easement, any declaration of covenants, conditions and restrictions, any extension agreement, or any agreement subordinating the lien or charge of this Deed of Trust.

Except as may be required by applicable law, Trustee or Beneficiary may from time to time apply to any court of competent jurisdiction for aid and direction in the execution of the trust and the enforcement of the rights and remedies available and may obtain orders or decrees directing, confirming or approving acts in the execution of the trust

and the enforcement of the remedies. Trustee has no obligation to notify any party of any pending sale or any action or proceeding, including, without limitation, actions in which Trustor, Beneficiary, or Trustee will be a party, unless held or commenced and maintained by Trustee under this Deed of Trust. Trustee will not be obligated to perform any act required of it under this Deed of Trust unless the performance of the act is requested in writing and Trustee is reasonably indemnified and held harmless against any loss, cost, liability, or expense.

Section 11.27 Releases, Extensions, Modifications and Additional Security

Without notice to or the consent, approval, or agreement of any persons or entities having any interest at any time in the Property or in any manner obligated under the Obligations ("Interested Parties"), Beneficiary may, from time to time, release any person or entity from liability for the payment or performance of any Obligation, take any action or make any agreement extending the maturity or otherwise altering the terms or increasing the amount of any Obligation, or accept additional security or release the Property or other security for any Obligation. None of these actions will release or reduce the personal liability of any of the Interested Parties, or release or impair the lien of this Deed of Trust, or the priority of it on the Property. However, no action taken or agreement made by Beneficiary to extend the maturity or otherwise alter the terms or increase the amount of any Obligation will be binding on Trustor without Trustor's consent.

Section 11.28 Reconveyance

Upon the payment and performance of all Obligations, including, without limitation, Beneficiary's receipt of all sums owing and outstanding under the Notes, Beneficiary will deliver to Trustee a written request for reconveyance, and will surrender to Trustee for cancellation this Deed of Trust and any note or instrument evidencing the Obligations. However, Beneficiary will have no obligation to deliver the written request and documents until Beneficiary has been paid by Trustor, in immediately available funds, all escrow, closing and recording costs, the costs of preparing and issuing the reconveyance, and any trustee's or reconveyance fees. On Trustee's receipt of the written request by Beneficiary and the documents, Trustee will reconvey, without warranty, the Property or

that portion then held. To the extent permitted by law, the reconveyance may describe the grantee as "the person or person legally entitled" and the recitals of any matters or facts in any reconveyance will be conclusive proof of the truthfulness of them. Neither Beneficiary nor Trustee will have any duty to determine the rights of persons claiming to be rightful grantees of any reconveyance. When the Property has been fully reconveyed, the last reconveyance will operate as a reassignment of all future rents, issues and profits of the Property to the person legally entitled.

Section 11.29 Subrogation

Beneficiary will be subrogated to the lien of all encumbrances, whether released of record, and paid in whole or in part by Beneficiary pursuant to this Deed of Trust or by the proceeds of the Grant secured by this Deed of Trust.

Section 11.30 Obligations of Trustor, Joint and Several

If more than one person has executed this Deed of Trust as "Trustor," the obligations of all those persons will be joint and several.

Section 11.31 Rules of Construction

When the identity of the parties or other circumstances make it appropriate, the singular number includes the plural.

Section 11.32 Successors in Interest

The terms, covenants and conditions in this Deed of Trust will be binding on and inure to the benefit of the heirs, successors and assigns of the parties. However, this Section does not waive the provisions of Section 5.3.

Section 11.33 No Offset

Trustor will pay to Beneficiary all amounts owing under the Note, this Deed of Trust, or any of the other Obligations without deduction, setoff, or counterclaim of any kind.

Section 11.34 Governing Law

The parties expressly agree that this Deed of Trust (including, without limitation, all questions regarding permissive rates of interest) will be governed by or construed in accordance with the laws of California.

Section 11.35 Beneficiary's Capacity

Trustor agrees that Beneficiary, in funding the Grant and entering into this

a lender for all purposes and in all respects, and nothing contained in this Deed of Trust shall be deemed directly or indirectly to restrict or impair in any manner or respect whatsoever any of Beneficiary's governmental powers or rights or the exercise thereof by Beneficiary, whether with respect to the Property or the use thereof or otherwise. It is intended that Trustor shall be obligated to fulfill and comply with all such requirements as may be imposed by any governmental agency or authority of the Beneficiary having or exercising jurisdiction over the Property in Beneficiary's governmental capacity.

Section 11.36 Reasonableness Standard

Each party to this Agreement shall act reasonably in taking any action or making any decision permitted or required pursuant to this Agreement; provided, however, that the foregoing shall not apply in situations in which this Agreement expressly provides that a party may act or make a decision in its "sole" or in its "sole and absolute" or in its "sole and absolute" discretion.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

TRUSTOR:

Upward Bound House,
a California nonprofit public benefit corporation

By:

David Snow,
Executive Director

Property Address: Commonly known as 12841 West Washington Boulevard, Culver City, California 90066

EXHIBIT A

Legal Description of Property

The following describes the real property:

LOT 46, 47, 48 and 49 OF TRACT NO. 5951 IN THE CITY OF CULVER CITY, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 77 PAGE 72 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY..

ASSESSOR'S PARCEL NUMBER: 4236-021-001

(For the purposes of complying with Civil Code Section 3097 only, the street address of said property is 12841 West Washington Boulevard, Culver City, California 90404.)

Attachment 4

Regulatory Agreement

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

City of Beverly Hills
Community Development
455 N. Rexford Drive
Beverly Hills, CA 90210
Attention: Erwina Briliantes

NO FILING FEE REQUIRED:
GOVERNMENT CODE SECTION 27383

REGULATORY AGREEMENT

by and between

THE CITY OF BEVERLY HILLS

and

UPWARD BOUND HOUSE

12841 West Washington Boulevard

For an

18-Unit Emergency Family Shelter Project

with

2 resident manager units

(CDBG Program)

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REGULATORY AGREEMENT

by and between

THE CITY OF BEVERLY HILLS

and

UPWARD BOUND HOUSE

a California Nonprofit Public Benefit Corporation

12841 West Washington Blvd.

18-Unit Emergency Family Shelter with 2 Resident Manager Units

CDBG Program

THIS REGULATORY AGREEMENT ("Regulatory Agreement"), is entered into as of _____, 20__ by and between the City of Beverly Hills, a municipal corporation ("City"), and Upward Bound House, a California nonprofit public benefit corporation ("Upward Bound House"), and is made with reference to the following:

R E C I T A L S:

A. The City receives funds from the Los Angeles County Community Development Block Grant ("CDBG") Program that can be made available to nonprofit affordable housing developers to preserve and develop affordable housing through the acquisition and rehabilitation of affordable housing and through the construction of new affordable housing. The source of funds for the grant contemplated hereunder to Upward Bound House is CDBG funds received from the federal government.

B. Upward Bound House is or will be the fee simple owner of certain real property located in Culver City and commonly known as 12841 West Washington Boulevard, Culver City, California 90066 (the "Property") and more particularly described in Exhibit A. Upward Bound House intends to acquire, rehabilitate, and operate the Property as an eighteen (18) unit regional emergency shelter for homeless families with children and two (2) residential manager units ("Project"). The Property is currently improved with twenty (20) motel units

C. Upward Bound House has applied to the City and has been approved for a grant ("Grant") in the amount of TWO HUNDRED THOUSAND DOLLARS ($200,000.00) pursuant to the City's CDBG Program Guidelines. The City has agreed to provide these funds to Upward Bound House to acquire the Property pursuant to the approved project budget ("Approved Project Budget") set forth in Exhibit B.

D. Upward Bound House shall rehabilitate the Project using non-City funds in accordance with the plan of work ("Plan of Work") set forth in Exhibit C. The timing and phasing of the Project, including the construction work, shall conform to the project schedule ("Project Schedule") set forth in Exhibit D.

E. As an inducement to the City to fund the Grant, Upward Bound House has agreed to enter into this Regulatory Agreement and has consented thereby to be regulated and restricted by the City as provided herein. Upward Bound House acknowledges that in obtaining the Grant, it has received a direct financial benefit from the City. Upward Bound House and City agree and acknowledge that this Regulatory Agreement is a contract providing forms of assistance to Upward Bound House within the meaning of Civil Code Section 1954.52(b).

F. This Regulatory Agreement, together with the Grant Agreement ("Grant Agreement"), the Promissory Note ("Note"), the Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents ("Deed of Trust"), all executed concurrently herewith, sets forth the requirements of the Grant.

NOW THEREFORE, City and Upward Bound House mutually agree as follows:

1. INCORPORATION OF RECITALS AND EXHIBITS

The Recitals set forth above and Exhibits A through J attached hereto are incorporated herein and made a part of the terms and conditions of this Regulatory Agreement.

2. TERM

The term of this Regulatory Agreement shall commence on the date of recordation of the Notice of Completion pursuant to Section 1 of the Grant Agreement, and shall continue in full force and effect for ten (10) years thereafter, unless terminated earlier as set forth below. This Regulatory Agreement shall remain in full force and effect regardless of the repayment status of the Note. At the end of the ten (10) year term, Upward Bound House shall have no further obligation to the City hereunder.

3. REQUIREMENTS OF THE GRANT

The City has agreed to fund the Grant to Upward Bound House in the principal amount of TWO HUNDRED THOUSAND DOLLARS ($200,000.00), which is subject to the terms and conditions set forth in this Regulatory Agreement and in the Grant Agreement. No repayment of the Grant shall be required, except in the case of a default under the Grant Agreement, Deed of Trust, Note, or this Regulatory Agreement, in which case repayment shall be in accordance with the terms of the Note.

4. COVENANTS AND OBLIGATIONS

A. Compliance with Applicable Law

Upward Bound House shall comply with all applicable federal, state, municipal law, statute, ordinance, rule, regulation, now or hereinafter in effect, including, but not limited to, applicable Community Development Block Grant ("CDBG") regulations, as those regulations are set forth in the Code of Federal Regulations at 24 CFR 570 et seq.

B. Disbursement Requirements

Disbursement of funds to the Project will be in conformance with disbursement instructions in the Grant Agreement. Any interest earned by Upward Bound House on Grant funds must either be used for eligible Project-related expenses, or be returned to the City.

C. Targeting of Economic Opportunities

Upward Bound House shall comply with Section 3 of the Housing and Urban Development Act of 1968, as amended by Section 915 of the Housing and Community Development Act of 1992, if applicable.

D. Other Applicable Laws and Regulations

Upward Bound House shall comply with all other applicable local, state, and federal laws and regulations.

E. Deed of Trust Securing Performance

The Deed of Trust shall be recorded in the office of the County Recorder, County of Los Angeles, against the Property, and shall secure the performance of the Grant Agreement, the Note and this Regulatory Agreement.

The Deed of Trust and this Regulatory Agreement shall be recorded pursuant to escrow instructions agreeable to all parties hereto.

F. Insurance

Upward Bound House shall procure and maintain during the term of this Regulatory Agreement the insurance coverages set forth in Exhibit F. Upward Bound House shall provide a copy of the insurance binder to the City at the close of escrow on City-approved insurance forms.

G. Property Standards

Upward Bound House covenants that the Property and improvements thereon shall be constructed and maintained in conformance with applicable rehabilitation standards, health, building, zoning and safety codes. In addition, Upward Bound House covenants that the Property meets HUD Section 8 Existing Housing Quality Standards, and that those standards will be maintained during the term of the Regulatory Agreement. Upward Bound House further covenants that any construction, renovation, repair or rehabilitation of improvements shall be undertaken in compliance with all building codes of the City of Culver City applicable at the time of such construction, renovation, repair or rehabilitation.

H. Compliance with Financing Obligations

Upward Bound House covenants that the management, rehabilitation, maintenance, and operation of the Project shall be in conformance with the terms and conditions of any loan agreement, regulatory agreement, promissory note or deed of trust, or any other lender's agreements relating to the financing of the Project. Violation of any provision of any other lender's agreements shall constitute a violation of the provisions of this Regulatory Agreement.

5. SUCCESSORS BOUND; CHANGE IN USE

A. Successors Bound

Upward Bound House shall operate a regional emergency shelter for homeless families with children for at least a ten (10) year period. This Regulatory Agreement and the covenants, conditions and restrictions contained herein shall run with the land and shall burden the Property for the benefit of the City and shall bind Upward Bound House and its heirs, successors and assigns, and every successor-in-interest of the Property. The Property shall be held, conveyed, hypothecated, encumbered, used and occupied subject to the covenants, conditions and restrictions of this Regulatory Agreement.

Upward Bound House may not assign any of the benefits of this Regulatory Agreement, or delegate any of Upward Bound House's obligations hereunder, voluntarily or by operation of law, without the prior written approval of the City, which approval may be withheld in City's sole discretion.

Upward Bound House shall be obligated to operate continuously the Project to provide affordable housing to homeless families with children in accordance with the provisions of this Regulatory Agreement for the entire term of this Regulatory Agreement. The City has agreed to fund the Grant to Upward Bound House subject to the terms and conditions of this Regulatory Agreement. Without such Regulatory Agreement by Upward Bound House, the City would not have funded the Grant.

B. Change in Use

In the event that Upward Bound House desires to change the use of the project from a regional emergency shelter for homeless families with children to another type of housing use which otherwise satisfies the affordability covenants set forth in Section 6 prior to the expiration of the Regulatory Agreement, or any extension thereof, Upward Bound House shall be required to:

(1) Clearly demonstrate to the City that operation of a regional emergency shelter for homeless families with children is not feasible; and

(2) Apply to the City for such a change of use under this Agreement as may be required to ensure the continued compliance of this agreement with the City's CDBG Program Guidelines and the CDBG Regulations, as they may be amended from time to time. Any change

in use shall be subject to the prior written approval of the City, in its sole discretion.

6. OCCUPANCY

In order to provide housing opportunities to very low income persons and households, where "very low income" is defined as 50% or less of the county median income as calculated from time to time by the Department of Housing and Urban Development ("HUD"). Upward Bound House warrants and agrees that housing units shall remain available at affordable housing costs to, and are occupied by, persons and families of very low income households for the term of the Regulatory Agreement, who have been accepted for participation in the programs of Upward Bound House.

Subject to the tenant income limits contained herein and any preferences required by the laws of the United States or the State of California (including but not limited to laws and regulations governing nondiscrimination and preferences in housing occupancy), and subject to determination by Upward Bound House that a prospective occupant will participate in, and benefit from, programs and services of Upward Bound House, Upward Bound House shall give consideration for the emergency shelter program to families who have been rendered homeless from a Beverly Hills address.

Occupancy of the Property shall be open to all regardless of age, race, sex, marital status, color, religion, sexual orientation, national origin, ancestry, AIDS, or condition of physical or mental disability. Upward Bound House shall comply with all applicable fair housing requirements of federal, state, and municipal law. In addition, Upward Bound House agrees to conduct its own affirmative action and marketing programs as provided herein. Upward Bound House additionally shall comply with Title VI of the Civil Rights Act of 1964 (Public Law 88-352).

Upward Bound House herein covenants by and for itself, its successors and assigns, and all persons claiming under or through them:

> That there shall be no discrimination against or segregation of any person or group of persons, on account of disability, sexual orientation, condition of having autoimmune deficiency syndrome ("AIDS"), race, color, creed, religion, sex, marital status, national origin or ancestry in the leasing, subleasing, renting, transferring, use, occupancy, tenure or enjoyment of the Project, nor shall Upward Bound House itself, or any person claiming under or through it, establish or permit such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the Project.

7. TENANT INCOMES

A. Income Targeting

The Project units shall be targeted to very low income households which shall be certified according to Exhibit G and which shall be subject to the following requirements:

Very Low Income Households: Upward Bound House covenants that eighteen (18) Project units shall be occupied by households whose incomes do not exceed 50% of Los Angeles County median income (Very Low Income) as determined and published from time to time by the Department of Housing and Urban Development ("HUD").

Current income limits for Low Income units are shown in Exhibit H.

B. Income Certification

Upward Bound House shall certify the income levels of all new tenants in order to ensure that compliance with the income eligibility standards set forth herein are met. Such certification shall be made as follows:

(1) If available, Upward Bound House shall accept the verification of tenant income of a Public Housing Authority or other governmental City vested with responsibility for determination of eligibility for the Section 8 Housing Assistance Payments Program or other housing assistance programs;

(2) Otherwise, Upward Bound House shall calculate the Annual (Gross) Income of each applicant, taking into account all income sources and assets, as described in Exhibit G. Upward Bound House shall require each applicant household to provide documentation supporting the applicant's income. Supporting documentation may include, but is not necessarily limited to, such items as pay stubs and bank books. If such documentation is not available, or is subject to question, then Upward Bound House shall obtain third party verifications. The income verification methods employed by Upward Bound House are subject to City review and approval; and

(3) Upward Bound House shall recertify the income of each tenant household on an annual basis, and provide to the City, an annual report of the tenant households' income levels. Upward Bound House annually shall report on vacancies filled during the prior year and certify the income of each tenant household as specified above to determine that the occupancy of the Project complies with this Regulatory Agreement.

C. Existing Tenants at Time of Acquisition

City acknowledges that tenants currently occupying some of the units may have incomes exceeding the income targets set forth in Section 7(A) above. Upon vacancy of any such unit subsequent to Upward Bound House's acquisition of the Project,

such unit shall be rented only to and occupied by eligible households as set forth in Section 7(A) above.

D. Changes in Tenant Income - Increases

If the income of a tenant occupying any Project unit increases to exceed the tenant's eligibility limit (50% of Los Angeles County median income, respectively), the rental housing will continue to qualify as affordable and the tenant may continue to occupy the unit for purposes of this Regulatory Agreement.

8. RENT LEVELS AND ADJUSTMENTS

For the purpose of this Regulatory Agreement, maximum rent levels for the Project units shall be those established by the Department of Housing and Urban Development, as amended from time to time.

A. Initial Rents

Initial rent levels are specified in Exhibit I attached hereto. For the purpose of this Regulatory Agreement, rent levels for the units shall meet the following requirements:

(i) Very Low Income units: the rent limit for the Very Low Income units shall not exceed 30% of 50% of the Los Angeles County median income, as adjusted for family size appropriate to the unit, minus a monthly allowance for any tenant-paid utilities, excluding telephone, as initially set forth in Exhibit I and as set forth in Section 50053;

B. Subsequent Rents

Thereafter, rent levels for the Project units shall be determined on an annual basis using the following criteria:

(1) If the household is receiving assistance under the Section 8 Housing Assistance Payments Program or similar subsidy program, the maximum rent shall be that which is established by the applicable federal program.

(2) If the household is not receiving federal rental assistance, the maximum allowable rent for the unit shall be: (i) Los Angeles County median income x target household income x Bedroom Adjustment Factor (i.e. adjusted for family size appropriate to the unit) x 30%)12, minus a monthly allowance for any tenant-paid utilities, excluding telephone, as set forth in Exhibit J.

(3) In the event HUD ceases for any reason to promulgate regulations defining Los Angeles County median income or Section 50053 ceases to define rent limits, any provision of this Regulatory Agreement relating to eligibility or rent levels shall be defined, agreed, and performed in conformity with rules determining income as established by the City and based upon Section 50053 as set forth in Exhibit J.

9. NOTICE OF RENT ADJUSTMENT

A. Notice to City

Upward Bound House shall notify the City forty-five (45) days prior to the effective date of any proposed rent increase in order for the City to determine whether the rent is in compliance with Section 8 of this Regulatory Agreement. If the City determines that the proposed rent increase is not in compliance, the City will notify Upward Bound House within fifteen (15) working days of receipt of rent increase information. Upward Bound House's implementation of a rent increase that does not comply with this Regulatory Agreement, after notice and expiration of the applicable cure period, shall constitute an Event of Default under Section 20.

B. Notice to Tenants

Tenant households must be given at least thirty (30) days written notice before rent increases are implemented.

10. TENANT PROTECTIONS

A. Tenant Lease/Client Program Agreement

The lease/program agreement between tenants and Upward Bound House must be for not less than one year, unless by mutual agreement between the tenant/client and Upward Bound House. The form of the lease/program agreement shall be approved by the City prior to execution.

B. Termination of Tenancy

Upward Bound House may not terminate a tenancy or program involvement of a tenant/client except in compliance with applicable federal, state, and local law and regulations.

C. Tenant/Client Selection Policies

In conformance with applicable regulations, Upward Bound House must adopt written tenant/Client selection policies and criteria that:

(1) Are consistent with the purpose of providing affordable housing;

(2) Give reasonable consideration to the housing needs of households that would have a federal selection preference for admission to public housing; and

(3) Provide for the selection of tenants/clients based upon a Management Plan approved in advance by the City in accordance with Section 13(C) of this Regulatory Agreement, and the prompt written notification to any rejected applicant of the grounds for any rejection.

11. SECURITY DEPOSITS

Upward Bound House shall not require as a condition of occupancy for any unit a security deposit in excess of the prepayment of two (2) months' rent. Any funds collected as security deposits shall be kept separate and apart from all other funds in a trust account to be deposited with an FDIC-insured depository and shall be held and disbursed in accordance with California Civil Code Section 1950.5. The balance of such account shall at all times equal or exceed the aggregate of all outstanding obligations under the account.

12. RESERVE FUNDS

A. Replacement Reserves

Upon the closing of the financing for the Project, or the completion of the rehabilitation, whichever occurs later in time, Upward Bound House shall establish the Reserve Fund as follows:

(i) Capitalization: The City shall defer to the greater of outside lender or investor reserve requirements for capitalization. In the absence of outside lender or investor reserve requirements, Upward Bound House shall capitalize the Reserve Fund in the amount of $7,500 as set forth in Exhibit E.

(ii) Ongoing Reserves: The amount to be deposited in the Reserve Fund, shall be equal to THREE HUNDRED AND SEVENTY-FIFTY AND NO/DOLLARS ($375) per unit/year or SEVEN THOUSAND FIVE HUNDRED DOLLARS ($7,500) annually.

Funds accrued in the Reserve Fund shall remain in the Reserve Fund until expended pursuant to this Section. Expenditures from the Reserve Fund shall be for the purpose of (a) effecting necessary structural and equipment replacements and improvement of a capital nature, or (b) meeting deficits in operating costs, rents, or debt service. Any expenditure by Upward Bound House from the Reserve Fund for the purposes described above, in the amount of FIVE THOUSAND DOLLARS ($5,000) or more, must be approved by the City in writing. Expenditures of ONE THOUSAND DOLLARS ($1,000) to FOUR THOUSAND NINE HUNDRED NINETY-NINE DOLLARS ($4,999) must be documented by paid invoices to be submitted to the City within thirty (30) days of disbursement from Reserve Fund. The adequacy of the annual deposit approved in advance for the first year of operations shall be reviewed annually thereafter by Upward Bound House and the City, and the amount of such deposits and the limit of expenditures without prior City approval may be adjusted annually in writing by the City in its sole discretion. The total amount of accrued deposits shall also be reviewed annually by the City.

B. Taxes, Assessment and Insurance Reserves

Upon the funding of the Grant, Upward Bound House shall establish a Taxes, Assessments, and Hazard Insurance Premium Account. No later than the tenth day of each month, Upward Bound House shall deposit a sum equal to one-twelfth (1/12) of the

yearly premium installments for hazard insurance, assessments and taxes due on the Property in such account. The amounts to be deposited may be adjusted by the City from time to time on the basis of actual expenses incurred for these purposes. Funds held in such account shall be used only to pay taxes, assessments and insurance premiums, which Upward Bound House agrees to pay promptly when due.

C. Reserve Fund Account Statements

The reserve funds described in this Section shall be maintained in accounts in an FDIC-insured financial institution. The accounts maintained for the reserve funds shall accrue interest at the highest rate available for accounts of similar size, and the terms must allow for withdrawal of funds and accrued interest as required. All interest or other income earned by each of the reserve accounts shall be applied only to the purpose of that particular reserve account as specified herein. All reserve fund account statements shall be reviewed annually by City and at such other times as the City may reasonably request.

D. Other Uses for Reserve Funds

If Upward Bound House and the City mutually determine that either of these reserve funds is no longer required, Upward Bound House may cease to make deposits into these reserve funds and may, upon prior written approval by the City, use the monies remaining in the reserve funds as follows:

(1) Payments for expenses for reasonable operating costs incurred, including maintenance and repair costs;

(2) Regularly scheduled debt service payments in times of financial stress, but not to accelerate the repayment of senior loans without the prior written consent of the City;

(3) Reduction of rents on the units as determined necessary or appropriate by the City;

(4) Payment of reasonable operating costs of Upward Bound House as necessary to preserve the security of the Grant;

(5) Prepayment of other Grant amounts; and

(6) Payment of accrued but unpaid City-approved management fees.

13. MANAGEMENT AND MAINTENANCE

A. Upward Bound House Responsibility

Upward Bound House is responsible for all management and maintenance functions, including selection of tenants, certification of incomes, evictions and other terminations of tenancies, collection of rents, and all repair and maintenance functions, including ordinary and extraordinary maintenance and replacement items.

B. Program Agreement

Upward Bound House shall utilize a program agreement, the form and content of which shall be subject to approval by the City in writing prior to the close of escrow and funding of Grant. The program agreement shall not be amended without the prior written approval of the City.

C. Management Plan

Upward Bound House shall prepare and implement a management plan governing the ongoing operation of the Property, which shall be consistent with the terms and provisions of this Regulatory Agreement. The Upward Bound House shall update the plan periodically and shall include, but is not limited to, a detailed description of the policies and practices of Upward Bound House in conducting the following:

(1) Affirmative marketing;
(2) Tenant selection and income certification;
(3) Household size occupancy standards;
(4) Leasing procedures;
(5) Rent collection;
(6) Termination and eviction procedures;
(7) Procedures for establishing rules of tenant conduct;
(8) Maintenance and management procedures;
(9) Appeal and grievance procedures; and
(10) Tenant participation plan.

Upward Bound House shall submit any amendment to the plan in advance to the City. The scope of the City's review shall be limited to those issues which could affect the City's security interest in the Property, or which could conflict with the goals of the CDBGHTF Program existing at the time the Grant was made.

D. Contracting for Property Management

Upward Bound House may contract with a private or public entity for the performance of services or duties required pursuant to Paragraph A above, or Upward Bound House may provide such services itself and receive a fee, as approved by the City and shown in the Operating Budget for the first year of Project operation as shown in Exhibit E. Such management agent and the terms and conditions of the contract for

management services between Upward Bound House and the management agent shall be subject to the prior written approval of the City. However, such a contractual arrangement shall not relieve Upward Bound House of any responsibility for proper performance of all management duties described herein.

E. Termination of Property Management Contract

Any contract executed pursuant to Paragraph D above shall contain a provision that it shall be subject to termination by Upward Bound House, without penalty, upon not more than thirty (30) days prior written notice. At the written request of the City, Upward Bound House shall exercise such right of termination forthwith and shall make immediate arrangements for the continuing management, repair and maintenance of the Property satisfactory to the City, in its discretion.

14. PROHIBITED ACTS

Upward Bound House shall not without the prior written approval of the City:

(i) Make any sale, encumbrance, assignment, conveyance, or transfer in any form (except as otherwise provided herein) of the Property or any part thereof or any of its interest therein; City approval shall be conditioned upon satisfaction of all requirements set forth in Section 16. Any sale, transfer, encumbrance or other disposition of the Property in violation of this Section shall be null, void and without effect, shall cause a reversion of the title to Upward Bound House and shall be ineffective to relieve Upward Bound House of its obligations under this Regulatory Agreement;

(ii) Execute any other agreement with provisions contradictory of, or in opposition to, the provisions hereof. Upward Bound House affirms that the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations set forth and supersede any other requirements in conflict herewith;

(iii) Remodel, remove, add to, reconstruct or demolish any part of the Property or improvements or impair any real or personal property without the written authorization of the City except as in the ordinary course of business in connection with the maintenance obligations set forth in Section 13;

(iv) Permit the use of the dwelling units for any purpose except that which was originally intended, or permit any commercial use, except as authorized in writing by the City;

(v) Invest any funds from the Property in any property, real, personal or mixed, except as authorized in writing by the City;

(vi) Deposit any funds from the Property in a depository not otherwise authorized by Sections 11, 12 or 17 of this Regulatory Agreement;

(vii) Invest or expend any proceeds from the sale or syndication of the Property for any purpose until a determination has been made by the City within a

reasonable review period that such expenditure or investment will not materially adversely affect the operations and maintenance of the Property, its current and future affordability for tenants, or the security of the City's Grant; or

(viii) Fail to maintain the units upon the terms and conditions of this Regulatory Agreement and as contemplated by this Regulatory Agreement.

15. SUBORDINATION; APPROVAL OF REFINANCING

A. Subordination. The City may from time to time agree to subordinate its Deed of Trust and Regulatory Agreement to a conventional lender or other lenders under terms and conditions to be approved by the City, provided that the terms of the subordination allow the City such remedies, including notice from the conventional lender and a reasonable opportunity to cure any default, as the City deems adequate in the City's sole discretion.

B. Refinancing. If, at any time during the term of this Regulatory Agreement, Upward Bound House proposes to refinance any of the existing indebtedness on the Property or intends to borrow additional funds after commencement of the term of this Regulatory Agreement, the City must be notified prior to application submittal and the City shall review and determine whether, in its sole discretion, to approve the terms and conditions of the new financing and the proposed uses of any proceeds. The City shall not unreasonably withhold its approval if: (i) the terms and conditions of the additional loan or refinanced loan provide the City with such remedies as the City deems adequate in the City's sole discretion; (ii) the additional loan or refinanced loan is consistent with the Project objectives; (iii) Upward Bound House is not taking cash out of the equity of the Property; and (iv) the additional indebtedness will not impair the security of the Deed of Trust.

16. PROHIBITION AGAINST TRANSFER

Upward Bound House shall not assign, sublease, hypothecate, or transfer this Regulatory Agreement or any interest herein or in the Property directly or indirectly, by operation of law or otherwise, without the prior written consent of the City which may be withheld in the City's sole discretion. Any attempt to do so without City's consent shall be null and void, and any assignee, sublessee, hypothecatee or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. After notice and expiration of applicable cure period, the Grant shall become repayable and shall be immediately due and payable in full upon any assignment, sublease, sale or transfer of ownership of the Property. Notwithstanding the foregoing, Upward Bound House may enter into laundry leases and residential leases for individual units in the ordinary course of business for the Project without the prior written consent of the City.

17. GROSS OPERATING INCOME

Gross operating income received by Upward Bound House or its agents shall be promptly deposited in the name of Upward Bound House in a financial institution in an FDIC-insured account. Withdrawals from the account shall be made only in accordance with this Regulatory Agreement and shall be set aside for payment when due in the following priority:

(i) All payments for which Upward Bound House is responsible in connection with utilities, real estate taxes and assessments, and liability, fire, and hazard insurance;

(ii) Payments of interest and principal, fees and charges in accordance with acquisition, construction or permanent financing evidenced by deeds of trust senior to the Grant;

(iii) All other pre-approved expenses and operating costs incurred in operation of the Project, including without limitation those expenses set forth in the Property Management Budget attached as Exhibit E.

18. ANNUAL REPORT

The reserve funds, books and accounts of the Property shall be kept in conformity with generally accepted accounting principles. The fiscal year for the Property shall be from January 1 to December 31.

A. Operating Budget

No later than the beginning of each fiscal year established for the Property, and in addition from time to time at Upward Bound House's discretion, Upward Bound House shall submit in a form approved by the City, for the City's approval an annual operating budget for the Property. The annual operating budget shall set forth the projected income of the Property and a sufficiently detailed estimate of expenses which will include separate projections for administration expense, management expense, operating expense, maintenance expense, utilities, hazard insurance, taxes and assessments, interest and amortization of the senior obligations, and the replacement and operating reserve, in substantially the form set forth in Exhibit E. The annual operating budget shall also include a schedule of proposed monthly rents for the coming year.

B. Other Reports

Upward Bound House shall file with the City within one hundred twenty (120) days of the beginning of each fiscal year the following reports in a form satisfactory to the City and verified by the signatures of appropriate officers of Upward Bound House:

(1) An audit of the fiscal condition of the Property, including a financial statement indicating surpluses or deficits in operating accounts, a listing of income and expenses, and amounts of any fiscal reserves. The audit shall be certified, at Upward

Bound House's expense, by an independent Certified Public Accountant licensed in California and acceptable to the City;

(2) A report on occupancy for the prior year which states or provides:(i) the number of units vacated and reoccupied; (ii) an occupant list which identifies the income level of each occupant household, and the rent, if any, being charged for that household's unit; and (iii) a certification that the requirements outlined in Section 7 have been met;

(3) A report on the actual operating expenses for the prior year indicating, for each reserve account, the amount of any reserves disbursed, and the remaining balance; and

(4) A certification, signed by the appropriate officers of Upward Bound House, that Upward Bound House is not in violation or default under the Regulatory Agreement or under any agreements or deeds of trust securing other Property financing.

19. RECORDS

A. Inspection of Records

The City, its agents and employees, the City acting on behalf of the City, and the City's agents and employees, shall have the right, after reasonable notice, to review and inspect the books, records and accounts of Upward Bound House specifically regarding the Property, from and after the date of the recordation of this Regulatory Agreement and until the termination of this Regulatory Agreement. Upward Bound House shall maintain the following records for inspection:

(1) Initial and annual tenant income certifications;

(2) Records which demonstrate compliance with the tenant protections as specified elsewhere in this Regulatory Agreement;

(3) Records which demonstrate compliance with the Regulations listed in Section 4(A) of this Regulatory Agreement;

(4) Records which demonstrate that the Project continues to meet the property standards stated in Section 4(G) of this Regulatory Agreement;

(5) Records which verify that the Project continues to meet unit affordability requirements as provided in Sections 7 and 8 of this Regulatory Agreement;

(6) Taxes, Assessments, and Hazard Insurance Premium Account;

(7) Operating and Replacement Reserve; and

(8) Any other records required by the City to verify that the Upward Bound House is in compliance with the provisions of this Regulatory Agreement.

B. Maintenance of Records

Upward Bound House shall maintain records for the following periods:

(1) Except as otherwise provided, records must be retained for three (3) years;

(2) If any litigation, claim, negotiation, audit or other action has been started before the expiration of the regular period, the records must be retained until completion of the action and resolution of all issues arising from it, or until expiration of the regular period, whichever is later; and

(3) Records covering displacements of tenants must be retained for at least three (3) years after the date by which tenants displaced from the Property have received the final payment to which they are entitled, if any.

20. EVENT OF DEFAULT; NON RECOURSE

If Upward Bound House defaults on the Grant Agreement, the Deed of Trust, the Note, or this Regulatory Agreement, City may, after compliance with the notice and cure procedures set forth in Section 21, declare an Event of Default and utilize any remedy set forth in Section 21 in addition to any other remedy provided by law. If Upward Bound House defaults on any other agreement securing property financing, including any agreement, deed of trust or promissory note securing the financing, Upward Bound House shall notify City within two (2) business days after receipt of a notice of default regarding such financing and the City may, after compliance with the notice and cure procedures set forth in Section 21, declare an Event of Default and utilize any remedy set forth in Section 21 in addition to any other remedy provided by law.

The parties intend that the Note secured by the Deed of Trust shall be a non-recourse note. Therefore, the City's remedy in an Event of Default under the Deed of Trust or the Note secured thereby shall be limited to foreclosure of the Property encumbered by the Deed of Trust or the exercise of power of sale and the other rights granted under the Deed of Trust, and the City shall have no right to obtain a deficiency judgment after such a foreclosure. This provision shall not apply in the event of Upward Bound House's fraud, willful misrepresentation, misapplication of funds, waste or intentional damage to the Property.

21. DEFAULT PROCEDURES AND REMEDIES

A. Notice, Cure Period and Declaration

(i) Notice. Prior to declaring an Event of Default, the City shall give written notice thereof ("Notice of Default") to Upward Bound House and to any lender who has requested such notice by certified mail addressed to Upward Bound House at the address stated in this Regulatory Agreement and to any lender requesting such notice at the address set forth in the request for notice from such lender, or such other addresses as

may have been designated by such parties from time to time in writing. The written Notice of Default shall specify the nature of the default, the remedial actions necessary to cure the default, and a reasonable time period (not less than the time periods set forth below) after receipt of the Notice of Default to commence remedial actions. If the default is not cured to the reasonable satisfaction of the City within the cure period, the City may, without further prior notice, declare in writing an Event of Default under this Regulatory Agreement effective on the date of such declaration.

(ii) Cure Periods. The following shall constitute the cure periods under this Regulatory Agreement:

(a) The cure period for the failure to pay a monetary obligation shall be ten (10) days after the City gives Upward Bound House written notice of such failure to pay; and

(b) The cure period for Upward Bound House's failure to perform any non-monetary obligation shall be thirty (30) days after the City gives Upward Bound House written notice of such failure to perform; provided, however, in the event Upward Bound House cannot reasonably cure such failure within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder so long as Upward Bound House commences to cure such failure within such thirty (30) day period and thereafter diligently prosecutes such cure to completion to the satisfaction of the City.

(iii) City's Rights Upon Event of Default. If an Event of Default occurs, the City may:

(a) Declare the repayment of the Grant immediately due and payable and that amount will become due without any further presentment, demand, protest, or notice of any kind;

(b) In person, by agent, or by a receiver, and without regard to the adequacy of security, the solvency of Upward Bound House, or the existence of waste, enter on and take possession of the Property or any part of it in its own name or in the name of the Trustee under the Deed of Trust, sue for or otherwise collect the rents, issues, and profits, and apply them, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon the amount due under the Note, all in any order that the City may determine. The entering on and taking possession of the Property, the collection of rents, issues, and profits, and the application of them will not cure or waive any default or notice of default or invalidate any act done pursuant to the notice;

(c) Apply to any court, State or Federal, for specific performance of this Regulatory Agreement; for an injunction against any violation by Upward Bound House of this Regulatory Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Regulatory Agreement, or for such other relief as may be appropriate, including but not limited to repayment of the Grant; and

(d) Pursue any other remedies available under law, including those set forth in the Deed of Trust.

B. Remedies Cumulative

The remedies of the City herein, or under any other instrument providing for or evidencing the financial assistance provided herein, are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of all remedies and shall not preclude the exercise by the City of any one or more of its other remedies.

22. NOTICES

Any notice, tender, or delivery to be given hereunder by either party to the other shall be in writing and may be effected by personal delivery or by certified mail, postage prepaid, and shall be deemed received upon delivery, if personally delivered, or as of five (5) days from mailing. All notices shall specify the address of the Property. Notices shall be addressed as set forth below; each party may change its address by written notice in accordance with this Section.

To City: City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, California 90210
Attention: City Manager

With copies to: City of Beverly Hills City Attorney's Office
455 N. Rexford Drive
Beverly Hills, California 90210
Attention: City Attorney

To Upward Bound House:

Upward Bound House
1104 Washington Avenue
Santa Monica, California 90403
Attention: Executive Director

23. AMENDMENT

This Regulatory Agreement shall not be altered or amended except by writing executed between the parties and approved as to form by City Attorney. No such amendment shall be effective without the prior written approval of the City.

24. PARTIAL INVALIDITY

If any provision of this Regulatory Agreement shall be found to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality and

enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

25. GENDER

The use of the plural in this Regulatory Agreement shall include the singular and the singular shall include the plural, and the use of one gender shall be deemed to include all genders.

26. RECORDING AGREEMENT

This Regulatory Agreement shall be acknowledged by each of the parties and, at the expense of the City, shall be recorded in the official records of Los Angeles County.

27. HOLD HARMLESS

Upward Bound House and its successors in interest agree to indemnify, defend, and hold harmless the City, members of the City Council, together with their boards and commissions, their respective agents, employees and officers ("Indemnitees") from any and all claims, losses, damages, costs, expenses, demands, suits, liabilities or causes of action (including reasonable attorney's fees) arising from or in connection with Upward Bound House's acquisition, construction, management, ownership, development, rehabilitation, renovation, maintenance or operation of the Property regardless of the active or passive negligence of the Indemnitees, except as otherwise stated herein. Notwithstanding the foregoing, Upward Bound House shall not be required to indemnify the Indemnitees for liabilities or costs arising from the Indemnitees' sole active negligence or willful or malicious conduct.

28. WAIVER

No waiver by the City of any breach of or default under this Regulatory Agreement shall be deemed to be a waiver of any other or subsequent breach thereof or default hereunder.

29. GOVERNING LAW

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

30. COSTS OF LITIGATION

If any legal action is necessary to enforce any provision hereof, or for damages by reason of an alleged breach of any provisions of this Regulatory Agreement, the prevailing party shall be entitled to receive from the losing party all costs and expenses and such amount as the court may adjudge to be reasonable attorney's fees for the cost incurred by the prevailing party in such action or proceeding. The prevailing party shall be

entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys fees paid to third parties.

IN WITNESS WHEREOF, the parties have caused this Regulatory Agreement to be executed the day and year first above written.

ATTEST:

_____
City Clerk

CITY:

CITY OF BEVERLY HILLS

By:_____
BARRY BRUCKER
Mayor

APPROVED AS TO FORM:

For RMD

_____
City Attorney

DEPARTMENTAL APPROVAL:

By: _____
Anne Browning McIntosh
Community Development Director
(Interim)

APPROVED AS TO CONTENT:

_____
RODERICK J. WOOD
City Manager

UPWARD BOUND HOUSE:

By: _____
David Snow
Executive Director

EXHIBIT A

Legal Description of Property

The following describes the real property:

LOT 46, 47, 48 and 49 OF TRACT NO. 5951 IN THE CITY OF CULVER CITY, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 77 PAGE 72 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY..

ASSESSOR'S PARCEL NUMBER: 4236-021-001

(For the purposes of complying with Civil Code Section 3097 only, the street address of said property is 12841 West Washington Boulevard, Culver City, California 90066.)

EXHIBIT B

Approved Project Budget*

(12841 West Washington Blvd.)

Line Item #	Line Item Description	USES	SOURCES	SOURCES
		Total Cost	CITY	Non-City
1	Acquisition	$ 3,000,000	$200,000	$2,800,000
2	Closing costs/Escrow/ Title	$ 6,000	0	$ 6,000
3	Rehabilitation Hard Costs	$350,000	0	$350,000
4	Inspections & Reports	$ 8,400	0	$ 8,400
5	Admin/Organ & Consultants	$ 7,600	0	$ 7,600
6	Architecture & Engineering	$ 10,000	0	$ 10,000
7	Community Outreach	$ 25,000	0	$ 25,000
8	Local Permits & Fees	$ 12,000	0	$ 12,000
9	Security	$ 15,000	0	$ 15,000
10	Furnishings	$ 16,000	0	$ 16,000
11	[left blank]	$	0	$
12	Capitalized Reserve	$ 40,000	0	$ 40,000
13	Insurance	$13,000	0	$13,000
14	Contingency	$ 62,000	0	$ 62,000
	TOTAL:	$3,565,000	$200,000	$3,365,000

* Note: Project Budget does not include operating expenses for the Homeless Shelter Supportive Services

EXHIBIT C

Plan of Work

(12841 West Washington Boulevard.)

REHABILITATION WORK
Repair roof; siding and exterior plaster as necessary; repair tile and masonry as necessary per inspection report.
Replace electrical system including main/sub-panels, wiring and outlets, as necessary; replace exterior and interior light fixtures and smoke alarms, as necessary.
As necessary, replace water lines and water heaters, including earthquake strapping; hydro-jet waste lines; install gas meter shut-off valve; replace interior plumbing fixtures.
Repair/Replace windows as necessary with duel-glaze windows; replace interior cabinetry, trim work and interior carpentry as necessary; repair/replace exterior railings and handrails as necessary.
Repaint exterior of building, laundry room and unit interiors; repair parking lot and re-stripe; install new fire extinguishers; landscape as necessary.
Repair/Replace showers, bathroom tile and exhaust fans as necessary; replace carpet and bathroom flooring; replace heating/cooling units, as necessary.
Perform termite treatment; abate asbestos and lead-paint as appropriate.
Install fencing and security cameras as necessary; Install unit appliances, furniture mini refrigerators and microwaves in all units.

EXHIBIT D

Project Schedule – Construction Phase

(12841 West Washington Blvd.)

MONTH 1	Demolition and Abatement. Rough-n for ADA compliant unit.
MONTH 2	Termite abatement. Any exposed foundation corrections. Installation of new plumbing and electrical wiring as needed.
MONTH 3	Reroof community building. Ongoing Installation of new mechanical equipment. Ongoing Installation of the new plumbing. Ongoing Installation of new electrical.
MONTH 4	Patch and repair of the interior drywall. Bathroom finish installation. Exterior Building Envelope Repair (Stucco) . Interior Finish Flooring. Install new water heater and washer/dryer. Finish community kitchen installation.
MONTH 5	Installation of electrical switchgear. Installation of Finish mechanical and plumbing. Repair of exterior finish walkways. Construct ADA sidewalk at crosswalk. Construct new sidewalk and new curb at Washington driveway.
MONTH 6	Install fences and gates. Repair asphalt making it ADA compliant. Finish Interior Paint. Finish Exterior Paint. Construct exterior façade. Landscaping. Install playground mats and playground equipment.

EXHIBIT E

Property Management Budget

(12841 West Washington Blvd - 20 units)

Line Item Description	Annual
1. MANAGEMENT FEE	$57,074
2. ADMINISTRATION	
a. Marketing	$ 0
b. Audit	$0
c. Legal	$2,500
d. Office Expenses	$1,500
3. SALARIES AND BENEFITS	
a. On-Site Manager (2) exchange for rent	$0
b. Resident Assistant	$22,880
c. Maint/Janitorial/Security Salaries	$13,376
d. Holiday Pay and Benefits	$11,581
4. MAINTENANCE	
a. Supplies	$4,536
b. Unit Preparation	$8,864
c. Pest Control	$1,800
5. UTILITIES	
a. Trash removal	$4,200
b. Electricity and Gas	$18,000
c. Water / Sewer	$4,800
d. Telephone	$3,600
6. INSURANCE (property & liability)	$13,000
7. TAXES (real estate)	$4,000
TOTAL PROPERTY EXPENSES:	**$ 171,711.00**
8. RESERVES	$7,500

EXHIBIT F

Upward Bound House Insurance Requirements

Upward Bound House shall procure and maintain at Upward Bound House's own cost and expense, for the duration of the term of the Regulatory Agreement, the following insurance against claims for injuries to persons or damages to property which may arise against the Property.

A. Minimum Scope and Limits of Insurance

Upward Bound House shall maintain limits no less than:

1. Commercial General Liability: One Million Dollars, ($1,000,000), combined single limit per occurrence for bodily injury and property damage.

2. Worker's Compensation and Employer's Liability: Worker's Compensation limits as required by the Labor Code of the State of California and Employer's Liability limits of One Million Dollars ($1,000,000), per accident.

3. Property Insurance: An "All Risk" Property Insurance Policy or where applicable a "Builders Risk" Policy with permission to occupy endorsement in an amount of no less than 100% full replacement value on all improvements now existing or hereafter constructed on the Property. There shall be no coinsurance penalty provision. Such policy shall be endorsed to provide rental income interruption coverage for up to one year based upon the gross rental income for the Property.

B. Other Insurance Provisions

The general liability policy is to contain the following provision:

The City of Beverly Hills and members of its City Council, together with its boards and commissions, officers, agents and employees are to be covered as insured arising from or in any manner connected to Upward Bound House's business, activities, operations, services, work, or ownership of said Property.

The Property Insurance policy shall contain the following provisions:

1. Policy to be endorsed with a standard mortgagee clause listing the City of Beverly Hills as a Loss Payee and Additional Insured.

2. The insurer shall waive all rights of subrogation against the City.

C. All Coverages

Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) day's prior written notice by certified mail, return receipt requested, has been given to the City.

D. Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:6, or other rating approved in writing by the City acting on behalf of the City.

E. Verification of Coverage

Upward Bound House shall furnish the City with original certificates and amendatory endorsements effecting coverage required by this clause. The certificates and endorsements should be on forms provided by the City or on other than the City's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the City acting on behalf of the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

EXHIBIT G

Income Certification

DEFINITION OF INCOME

For purposes of this Agreement, when resident incomes are evaluated, Upward Bound House shall use the following definitions of income found at Section 24 of the Code of Federal Regulations (CFR) Part 92.203(b). The regulation contains three different definitions of "Annual Income", any of which may be used:

- Annual Income as defined at 24 CFR 5.609 (includes income from assets)
- Annual Income as defined under the Census long-form for the most recent available decennial Census
- Adjusted Gross Income as defined for purposes of reporting under Internal Revenue Service (IRS) Form 1040

DEDUCTIONS FROM ANNUAL INCOME

Per 24 CFR 92.203(c), Annual Income must be adjusted by deducting the following:

For all households:

- $480 for each **dependent** (persons other than the head or spouse who are under 18, or handicapped or disabled, or full-time students)
- Reasonable **child care expenses** (for children 12 and under) that enable a family member to work or go to school
- Expenses (in excess of 3% of annual gross income) for the **care of a handicapped or disabled** family member that enable that person or another person to work (includes care attendant and necessary equipment and apparatus)

For elderly household only:

- $400 per **elderly household** (head or spouse is 62 or older, handicapped or disabled)
- **Medical expenses** in excess of 3% of annual income that are not reimbursed by insurance (or any other source) or other sources

EXHIBIT H

2008 Income Eligibility Limits

Affordability Type		# of Persons in Household	
		2	3
Very Low Income	50% of County Median*	$30,300	$34,100

Source: Department of Housing and Urban Development (HUD) figures for 2008 as amended periodically.

EXHIBIT I

Initial Rent Limits

(12841 West Washington Blvd.)

2008 Rent Limits

Maximum Rents Affordable to Households at:	UNIT TYPE	
	0-Bedroom/SRO	1-Bedroom/Mgr.
Very Low Income 50% of County Median Income	$663	758

Rents shown above are gross rents for 2008. This Project is master-metered so the tenants will not pay for utilities; therefore, no utility allowance is applicable.

EXHIBIT J

Subsequent Rent Limits

Los Angeles County median income [4-person household] x target household income x Bedroom Adjustment Factor x 30% ÷12, minus a monthly allowance for any tenant-paid utilities, excluding telephone; the subject property is master-metered so the tenants will not pay for utilities.

However, if the household is receiving assistance under the Section 8 Housing Assistance Payments Program or similar subsidy program, the maximum rent shall be that which is established by the applicable federal program.

Formula Example [gross rent]:
$56,500 [2007 median income] x 50% [very low income] X 70% [bedroom adjustment factor] x 30% [affordability factor] / 12 [months] = $494 (rounded)