

**AGENDA FOR THE SPECIAL MEETING OF THE
OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE
RANCHO PALOS VERDES REDEVELOPMENT AGENCY**

**CITY OF RANCHO PALOS VERDES
CITY HALL COMMUNITY ROOM
30940 HAWTHORNE BOULEVARD
RANCHO PALOS VERDES, CALIFORNIA, 90275**

WEDNESDAY, OCTOBER 10, 2012 AT 1:00 P.M.

Members:

Larry Clark (Chair), Stefan Wolowicz (Vice-Chair), Lydia Cano, Ken Dyda, Kit Fox, Marvin Martinez, Michael Seth Schneider

AGENDA POSTED: October 5, 2012

WEBSITE: www.palosverdes.com/rpv/

CALL TO ORDER

1. Roll Call.
2. Approval of Agenda.

REGULAR BUSINESS

1. Chairman's Opening Remarks.
2. Consider Approval of minutes for October 3, 2012 meeting.
3. Receive update of pending legislation, Frequently Asked Questions, and other developments relevant to redevelopment agency dissolution.
4. Consider Adoption of Resolution approving the due diligence review for the Low and Moderate Income Housing Fund.

MISCELLANEOUS

5. Public comment for items not on the agenda.
6. Member Suggested Agenda Items for Future Meetings.

7. Consider future meeting schedule and updated timeline.
8. Chairman's Closing Remarks.
9. Adjournment.

SUPPORTING DOCUMENTATION: Supporting documentation can be obtained at the following locations during normal business hours: Rancho Palos Verdes City Hall, Finance & Information Technology Department, 30940 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275. You can also view the agenda and staff reports and related documents at the Successor Agency's website www.palosverdes.com/RPV.

AMERICAN WITH DISABILITIES ACT: In compliance with the Americans with Disabilities Act of 1990, if you require a disability-related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the City Clerk's Office at (310) 544-5208 at least 48 hours prior to the meeting.

Written materials, including emails, submitted to the Oversight Board are public records and may be posted on the Successor Agency's website. Accordingly, you may wish to omit personal information from your oral presentation or written materials as it may become part of the public record regarding an agenda item.

Materials related to an item on this Agenda submitted to the Oversight Board after distribution of the agenda packet are available for public inspection at the front counter of the lobby of the City Hall Administration Building at 30940 Hawthorne Boulevard, Rancho Palos Verdes during normal business hours.

**MINUTES FOR THE SPECIAL MEETING OF THE
OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE
RANCHO PALOS VERDES REDEVELOPMENT AGENCY**

**CITY OF RANCHO PALOS VERDES
CITY HALL COMMUNITY ROOM
30940 HAWTHORNE BOULEVARD
RANCHO PALOS VERDES, CALIFORNIA, 90275**

WEDNESDAY, OCTOBER 3, 2012

CALL TO ORDER

Vice-Chair Wolowicz called the meeting to order at approximately 1:01 p.m. in the Community Room at Rancho Palos Verdes City Hall for the purpose of conducting business pursuant to the Agenda.

1. ROLL CALL

Roll call was answered as follows:

PRESENT: Dyda, Fox, Schneider, and Vice-Chair Wolowicz
ABSENT: Cano, Martinez, Chair Clark

Also present were Deputy Director of Finance and Information Technology Downs, Senior Administrative Analyst Mills, and Successor Agency Legal Counsel David Snow of Richards Watson Gershon (by telephone).

2. APPROVAL OF AGENDA

Member Schneider motioned to approve the agenda as presented, and Member Dyda seconded.

Hearing no objection, Vice-Chair Wolowicz ordered approval of the agenda.

REGULAR BUSINESS

1. CHAIRMAN'S OPENING REMARKS

None.

2. APPROVAL OF MINUTES FOR SEPTEMBER 5, 2012 MEETING

Member Schneider motioned to approve the September 5, 2012 minutes as presented, and Member Dyda seconded.

Hearing no objection, Vice-Chair Wolowicz ordered approval of the September 5, 2012 minutes.

3. RECEIVE UPDATE OF PENDING LEGISLATION, FREQUENTLY ASKED QUESTIONS, AND OTHER DEVELOPMENTS RELEVANT TO REDEVELOPMENT AGENCY DISSOLUTION

Staff provided an update of relevant events that have occurred since the September 5th meeting.

After discussing an email sent by the County to all Oversight Board Members and the County's estimate for the December property tax distribution, Members of the Oversight Board requested that Staff communicate with the County, as appropriate, including the following comments:

- A request for clarification about why an email sent to all Oversight Board Members on October 3rd was recalled, and a request that all further recalled emails include an explanation; and
- Expression of concern that the October 1st property tax distribution estimate included an administrative fee of \$364,062 for a total property tax allocation of \$548,625, the review process that led to publication of the estimate, and the potential for other agencies to be surprised by revisions to estimate schedules that may include errors.

4. CONSIDER ADOPTION OF RESOLUTION ACKNOWLEDGING RECEIPT OF THE DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND

Staff provided a brief oral report and answered Member questions. Vice-Chair Wolowicz opened and closed the public comment session. Other than Mr. Santos, the County Staff representative sent to observe Oversight Board meetings, no members of the public were present and there was no public comment.

Member Dyda motioned to adopt the Resolution acknowledging receipt of the Due Diligence Review for the Low and Moderate Income Housing Fund. Member Schneider seconded the motion.

The motion passed on the following roll call vote:

AYES: Dyda, Fox, Schneider, and Vice-Chair Wolowicz

NOES: None

The Oversight Board adopted Resolution OB 2012-09, A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY ACKNOWLEDGING RECEIPT OF THE REVIEW OF THE LOW AND MODERATE INCOME HOUSING FUND

CONDUCTED PURSUANT TO HEALTH AND SAFETY CODE SECTION 34179.5.

MISCELLANEOUS

5. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

None.

6. MEMBER SUGGESTED AGENDA ITEMS FOR FUTURE MEETINGS

None.

7. CONSIDER FUTURE MEETING SCHEDULE

Vice-Chair Wolowicz requested that Staff communicate with the entire Oversight Board to help ensure that the October 10th meeting has a quorum.

8. CHAIRMAN'S CLOSING REMARKS

None.

9. ADJOURNMENT

Member Dyda motioned to adjourn the meeting, and Member Schneider seconded. Hearing no objection, at 1:37pm Vice-Chair Wolowicz adjourned the meeting to October 10, 2012.

Steve Wolowicz, Vice-Chair of the Oversight Board

ATTEST

Kathryn Downs, Recording Person

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MEMORANDUM

TO: HONORABLE CHAIR AND MEMBERS OF THE OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES
REDEVELOPMENT AGENCY

FROM: DENNIS McLEAN, FINANCE OFFICER OF THE SUCCESSOR AGENCY

DATE: OCTOBER 10, 2012

SUBJECT: DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME
HOUSING FUND

REVIEWED: CAROLYN LEHR, EXECUTIVE DIRECTOR OF THE SUCCESSOR
AGENCY

Staff Coordinator: Kathryn Downs, Deputy Director of Finance & Information
Technology of the City of Rancho Palos Verdes

RECOMMENDATION

Adopt Resolution No. OB 2012-____ that includes:

1. Approving the Due Diligence Review for the Low and Moderate Income Housing Fund pursuant to Health and Safety Code Section 34179.5, as presented;
2. Authorizing the Successor Agency to retain the assets and funds, if any, identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Due Diligence Review (the "Restricted Assets"); and
3. Ordering the transmittal of the Due Diligence Review to the California Department of Finance and the Los Angeles County Auditor-Controller.

BACKGROUND AND DISCUSSION

As a reminder, Health and Safety Code Section 34179.6 requires each successor agency to submit the DDR to its Oversight Board for review and approval. Upon receipt of the DDR, the Oversight Board must convene a public comment session to take place at least five business days before the Oversight Board holds the approval vote being requested with this agenda item. The Oversight Board held the required public comment session regarding the Due Diligence Review on October 3, 2012.

By October 15, 2012, the Oversight Board must review, approve, and transmit the DDR to the California Department of Finance ("DOF") and the Los Angeles County Auditor-Controller. The Oversight Board must consider any opinions offered by the Los Angeles

DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND

October 10, 2012

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County Auditor-Controller on the DDR results submitted by the Successor Agency. The Oversight Board may adjust any amount provided in the DDR to reflect additional information and analysis. The approval must occur in public session. The Oversight Board may request from the Successor Agency any materials it deems necessary to assist in its review and approval of the determination.

The October 3, 2012 Staff Report for the Review of the DDR has been attached for reference.

RESOLUTION NO. OB 2012-_____

**A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR
AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT
AGENCY APPROVING THE DUE DILIGENCE REVIEW OF THE LOW
AND MODERATE INCOME HOUSING FUND CONDUCTED PURSUANT
TO HEALTH AND SAFETY CODE SECTION 34179.5 AND TAKING
CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

RECITALS:

A. Pursuant to Health and Safety Code Section 34175(b) and the California Supreme Court's decision in *California Redevelopment Association, et al. v. Ana Matosantos, et al.* (53 Cal.4th 231(2011)), on February 1, 2012, all assets, properties, contracts, leases, books and records, buildings, and equipment of the former Rancho Palos Verdes Redevelopment Agency transferred to the control of the Successor Agency to the Rancho Palos Verdes Redevelopment Agency (the "Successor Agency") by operation of law.

B. Health and Safety Code Section 34179.5 requires the Successor Agency to employ a licensed accountant, approved by the county auditor-controller, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

C. Health and Safety Code Section 34179.6 requires the Successor Agency to submit the results of the review conducted pursuant to Section 34179.5 for the Low and Moderate Income Housing Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities (the "Due Diligence Review") to the Successor Agency's Oversight Board (the "Oversight Board") for the Oversight Board's review and approval.

D. Pursuant to Health and Safety Code Sections 34179.6 and 34180(j), the Successor Agency submitted to the Oversight Board, the county administrative officer, the county auditor-controller, the State Controller and the Department of Finance ("DOF") the Due Diligence Review and a copy of the Recognized Obligation Payment Schedule ("ROPS").

E. Pursuant to Health and Safety Code Section 34179.6(b), upon receipt of the Due Diligence Review, and at least five business days before the Oversight Board considers the approval of the Due Diligence Review, the Oversight Board must hold a public comment session (the "Public Comment Session") at which time the public has an opportunity to hear and be heard on the results of the Due Diligence Review and at which time the Oversight Board considers the opinions, if any, offered by the Los Angeles County Auditor-Controller on the results of the Due Diligence Review.

F. On October 3, 2012, the Oversight Board held the Public Comment Session pursuant to Health and Safety Code Section 34179.6 (b).

G. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board must review, approve and transmit to DOF and the county auditor-controller, the determination of the amount of cash and cash equivalents in the LMIHF available for disbursement to taxing entities as determined according to the method provided in Section 34179.5. Section 34179.6 (c) provides that the Oversight Board may adjust any amount provided in the Due Diligence Review to reflect additional information and analysis.

H. Section 34179.6(c) empowers the Oversight Board to authorize the Successor Agency to retain assets or funds identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5. If the Oversight Board makes this authorization, the Oversight Board must identify to DOF the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained. The determination and authorization to retain funds and assets shall be subject to the review and approval of DOF pursuant to Health and Safety Code Section 34179.6(d).

I. Pursuant to Health and Safety Code Section 34179.6(c), the Oversight Board desires to approve the Due Diligence Review and to authorize the Successor Agency to retain the assets and funds, if any, identified pursuant to subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Due Diligence Review.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY HEREBY FINDS, DETERMINES, RESOLVES, AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are a substantive part of this Resolution.

Section 2. This Resolution is adopted pursuant to Health and Safety Code Section 34179.6(c).

Section 3. The Oversight Board hereby approves the Due Diligence Review as presented on file with the Secretary.

Section 4. For the purposes of providing for the transfer of housing functions and assets pursuant to Health and Safety Code Sections 34176 and 34181(c), the Oversight Board hereby authorizes the Successor Agency to retain the assets and funds, if any, identified in subparagraphs (B) to (E), inclusive, of paragraph (5) of subdivision(c) of Section 34179.5, as documented in the Due Diligence Review, which

provides the amount of funds authorized for retention, the source of those funds, and the purposes for which those funds are being retained.

Section 5. The staff of the Successor Agency is hereby directed to transmit to DOF and the county auditor-controller written notice and information regarding the actions taken by this Resolution and specifically the determination of the amount of cash and cash equivalents in the LMIHF that are available for disbursement to taxing entities as determined according to the method provided in Health and Safety Code Section 34179.5. Such notice to DOF shall be provided by electronic means and in a manner of DOF's choosing.

Section 6. The staff and the Board of the Successor Agency are hereby authorized and directed, jointly and severally, to execute and record such documents and instruments and to do any and all other things which they may deem necessary or advisable to effectuate this Resolution and any such actions previously taken are hereby ratified.

PASSED AND ADOPTED this 10th day of October, 2012.

Chair

ATTEST:

Secretary

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MEMORANDUM

TO: HONORABLE CHAIR AND MEMBERS OF THE OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES
REDEVELOPMENT AGENCY

FROM: DENNIS McLEAN, FINANCE OFFICER OF THE SUCCESSOR AGENCY

DATE: OCTOBER 3, 2012

SUBJECT: DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME
HOUSING FUND

REVIEWED: CAROLYN LEHR, EXECUTIVE DIRECTOR OF THE SUCCESSOR
AGENCY

Staff Coordinator: Kathryn Downs, Deputy Director of Finance & Information
Technology of the City of Rancho Palos Verdes

RECOMMENDATION

1. Receive and review the Due Diligence Review for the Low and Moderate Income Housing Fund pursuant to Health and Safety Code Section 34179.5;
2. Convene the Public Comment Session; and
3. Adopt the attached resolution to acknowledge receipt of the Due Diligence Review of the Low and Moderate Income Housing Fund.

BACKGROUND AND DISCUSSION

Pursuant to Health and Safety Code Section 34179.5, each successor agency must employ a licensed accountant, approved by the county auditor-controller and with experience and expertise in local government accounting, to conduct a due diligence review to determine the unobligated balances available for transfer to taxing entities.

White Nelson Diehl Evans LLP was approved by the Los Angeles County Auditor-Controller and retained by the Successor Agency to conduct the review.

Content of Due Diligence Review

Each review must determine the net balance of the Low and Moderate Income Housing

DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND

October 3, 2012

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Fund (the "LMIHF") and specifically the amount of cash and cash equivalents determined to be available for allocation to taxing entities as of June 30, 2012 (the "Due Diligence Review" or "DDR"). In summary, such amount is determined by determining the total value of assets and cash and cash equivalents in the LMIHF, and subtracting the following ("Restricted Assets"): (1) restricted funds, (2) assets that are not cash or cash equivalents, (3) amounts that are legally or contractually dedicated or restricted for the funding of an enforceable obligation, and (4) amounts that are needed to satisfy obligations that will be put on the Recognized Obligation Payment Schedule ("ROPS") for the current fiscal year. Also, the amount determined to be available for allocation to taxing entities includes the value of any assets, cash and cash equivalents transferred after January 1, 2011 through June 30, 2012 by the former redevelopment agency or the successor agency to the City, another public agency or private person if an enforceable obligation to make that transfer did not exist. The DDR documents any Restricted Assets and provides the respective amounts, sources and purposes for which the Restricted Assets should be retained.

Results of DDR for the LMIHF

The final report dated September 26, 2012 is attached, and outlines the procedures performed and the findings. Staff agrees with the findings presented in the report, which include the following:

1. Cash totaling \$103,500 in the LMIHF was available and transferred to the Successor Agency as of February 1, 2012.
2. Prior to dissolution, the former redevelopment agency transferred back to the City \$500,000 of unused funding contributed by the City towards the AMCAL senior housing project construction loan. This return of unused funding was in compliance with the restrictions in the City Council resolution that authorized the City contribution.
3. The City elected to retain the housing assets and functions of the former redevelopment agency; and the housing assets (notes receivable) were transferred to the City.

Many of the procedures were not applicable to Rancho Palos Verdes, as the LMIHF did not have unspent bond proceeds, housing related debt, grant proceeds, restricted assets, or transfers to other agencies.

Oversight Board Process

Health and Safety Code Section 34179.6 requires each successor agency to submit the DDR to its Oversight Board for review and approval.

Upon receipt of the DDR, the Oversight Board must convene a public comment session to take place at least five business days before the Oversight Board holds the approval vote (scheduled for October 10, 2012). The Oversight Board also must consider any opinions offered by the Los Angeles County Auditor-Controller on the review results submitted by the Successor Agency.

DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND

October 3, 2012

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By October 15, 2012, the Oversight Board must review, approve, and transmit the DDR to the California Department of Finance ("DOF") and the Los Angeles County Auditor-Controller. The Oversight Board may adjust any amount provided in the DDR to reflect additional information and analysis. The review and approval must occur in public sessions. The Oversight Board may request from the Successor Agency any materials it deems necessary to assist in its review and approval of the determination.

Section 34179.6 empowers the Oversight Board to authorize the Successor Agency to retain the Restricted Assets. On September 5, 2012, the Oversight Board adopted Resolution OB 2012-08 directing the transfer of housing functions and assets to the City; which included two promissory notes that would be classified here as Restricted Assets.

State and County Process

The DOF must complete its review of the DDR no later than November 9, 2012, and must notify the Oversight Board and the Successor Agency of its decision to overturn any decision of the Oversight Board to authorize the Successor Agency to retain Restricted Assets. The DOF must provide the Oversight Board and the Successor Agency an explanation of its basis for overturning or modifying any findings, determinations, or authorizations of the Oversight Board. The Successor Agency then has the option to meet and confer with DOF to discuss any modifications.

By December 1, 2012, the Los Angeles County Auditor-Controller must provide DOF a report specifying the amount submitted by each successor agency from the LMIHF, and specifically noting any successor agency that failed to remit the full required amount.

Next Due Diligence Review

Section 34179.5 also requires a similar review of all other funds and accounts held by the Successor Agency to determine unobligated balances available for transfer to taxing entities. The review for all other funds and accounts must be completed by December 15, 2012 and the Los Angeles County Auditor-Controller has an April 20, 2013 deadline to provide DOF the report specifying the amount submitted by the Successor Agency from all other funds and accounts, and specifically noting if the Successor Agency failed to remit the full required amount.

Finding of Completion

Upon full payment of the amounts determined in the DDR and the subsequent review conducted for all other funds and accounts, payment of the "surplus" tax revenues due on July 12, 2012, and any unpaid or underpaid pass through payments owed for fiscal year 2011-12, DOF will issue to the successor agency, within five business days, a Finding of Completion of the requirements of Section 34179.6.

Section 34191.4 provides that a successor agency that has been issued a Finding of Completion may apply to its oversight board to have a loan agreement between the former

DUE DILIGENCE REVIEW FOR THE LOW AND MODERATE INCOME HOUSING FUND

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redevelopment agency and the city deemed an enforceable obligation.

Obtaining a Finding of Completion is a critical step to ensure the enforceability of the City's Consolidated Loan to the former Redevelopment Agency (current balance of \$19.3 million with accrued interest of \$12.5 million at June 30, 2012).

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

Independent Accountants' Report on Applying Agreed-Upon Procedures
On the Rancho Palos Verdes Redevelopment Agency's
And
The Successor Agency to the Rancho Palos Verdes Redevelopment Agency's
Low and Moderate Income Housing Fund

Pursuant to California Health and Safety Code Section 34179.5

**SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO THE
LOW AND MODERATE INCOME HOUSING FUND**

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Schedule 1 - Listing of Assets Transferred to Successor Agency as of February 1, 2012	
Schedule 2 - Transfers to the City of Rancho Palos Verdes	
Schedule 3 - Listing of Assets as of June 30, 2012	
Schedule 4 - Summary of Balances Available for Allocation to Affected Taxing Agencies	
 Exhibit 1A - Disposition and Development Agreement dated March 20, 2009	
Exhibit 1B - City Council Resolution 2010-10	
Exhibit 1C - Advance and Repayment Agreement dated November 4, 2010	
Exhibit 1D - Letter to AMCAL for Confirming Final Loan Amounts dated October 28, 2011	

**Independent Accountants' Report on Applying Agreed-Upon Procedures
Related to the Low and Moderate Income Housing Fund**

Oversight Board of the Successor Agency
to the Rancho Palos Verdes Redevelopment Agency
Rancho Palos Verdes, California

We have performed the minimum required agreed-upon procedures (AUP) enumerated in Attachment A, which were agreed to by the California Department of Finance, the California State Controller's Office, the Los Angeles County Auditor-Controller, and the Successor Agency to the Rancho Palos Verdes Redevelopment Agency (Successor Agency), (collectively, the Specified Parties), solely to assist you in meeting the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund of the former Rancho Palos Verdes Redevelopment Agency and Successor Agency. Management of the Successor Agency is responsible for meeting the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The scope of this engagement was limited to performing the agreed-upon procedures as set forth in Attachment A. Attachment A also identifies the findings noted as a result of the procedures performed.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on whether the Successor Agency has met the statutory requirements of Health and Safety Code Section 34179.5 related to the Low and Moderate Income Housing Fund. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Oversight Board and management of the Successor Agency to the Rancho Palos Verdes Redevelopment Agency, the California Department of Finance, the California State Controller's Office, and the Los Angeles County Auditor-Controller, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Diehl Evans LLP

Irvine, California
September 26, 2012

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

1. **Procedure:**

Obtain from the Successor Agency a listing of all assets that were transferred from the former redevelopment agency's the Low and Moderate Income Housing Fund to the Successor Agency on February 1, 2012. Agree the amounts on this listing to account balances established in the accounting records of the Successor Agency. Identify in the Agreed-Upon Procedures (AUP) report the amount of the assets transferred to the Successor Agency as of that date.

Finding:

We agreed the amounts listed on Schedule 1 to account balances as established in the accounting records of the Successor Agency, without exception. The former redevelopment agency transferred \$103,500 in assets to the Successor Agency as shown in Schedule 1.

2A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the former redevelopment agency to the city that formed the redevelopment agency for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

The former redevelopment agency transferred \$500,000 to the City of Rancho Palos Verdes during the period from January 1, 2011 through January 31, 2012 as presented in Schedule 2. The transfer was made to return the unused portion of the city advance made in connection with an affordable housing development loan. The legal basis for the transfer and the actions taken by the governing boards for the transfers are described below.

On March 20, 2009, Rancho Palos Verdes Redevelopment Agency entered into a Disposition and Development Agreement ("DDA") with AMCAL Mirandela Fund LP ("AMCAL") for the specific purposes of developing a thirty-four unit affordable rental housing project for senior households with low and moderate income. The Redevelopment Agency agreed to provide a land acquisition loan of \$2,990,000, pre-development loan of \$200,000 and construction loan of \$3,600,000 from the Low and Moderate Income Housing Fund. However, the Redevelopment Agency's Low and Moderate Income Housing Fund did not have sufficient funds to provide for all loan amounts.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

2A. **Finding (Continued):**

On February 16, 2010, the City Council of the City of Rancho Palos Verdes approved Resolution 2010-10 to provide an advance up to \$1.8 million from the City's Affordable Housing In-Lieu Fund to the former redevelopment agency for the purpose of providing a construction loan to AMCAL. The City Council Resolution stipulated that the City advanced funds were to be expended by the Redevelopment Agency to fund the AMCAL construction loan only to the extent that monies in the Redevelopment Agency's Low and Moderate Income Housing Fund were not sufficient to fully fund the loan. The City and the Redevelopment Agency entered into an Advance and Repayment Agreement for this advance. The City disbursed \$1,766,368 to the Redevelopment Agency under this agreement.

By June 2011, AMCAL had completed the affordable rental housing project and the actual loan amounts disbursed to AMCAL under the construction loan were finalized at \$3,100,000 due to project cost savings. This resulted in \$500,000 of the City advance not being used.

As required by the restrictions in City Council Resolution 2010-10, the unused City advance of \$500,000 was returned to the City of Rancho Palos Verdes on January 31, 2012 as presented in Schedule 2.

2B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the Successor Agency to the city that formed the redevelopment agency for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the Agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

The Rancho Palos Verdes City Council adopted Resolution No. 2012-15 on February 21, 2012 whereby the City elected to retain the housing assets and functions previously performed by the former Rancho Palos Verdes Redevelopment Agency as the Successor Housing Agency. After the adoption of Resolution No. 2012-15, for accounting purposes, housing assets were transferred as shown in Schedule 2 to the City as the Successor Housing Agency in accordance with Health and Safety Code Section 34176(a)(2). The transfer of these assets was reported on the Housing Asset List form filed on July 24, 2012 with the California Department of Finance ("DOF"). The DOF, in a letter dated August 22, 2012, indicated its approval of the Housing Asset List. On September 5, 2012, the Oversight Board of the Successor Agency adopted Resolution No. OB 2012-08 directing the Successor Agency to transfer the housing assets to the City. On October 2, 2012, the Successor Agency is expected to adopt Resolution No. SA 2012-XX transferring housing assets to the City.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

2C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

Attached to this AUP report are the excerpt from DDA dated March 20, 2009 between the Redevelopment Agency and AMCAL (Exhibit 1A), the City Council Resolution 2010-10 authorizing the transfer of funds from the City's in-lieu housing fund to the Redevelopment Agency for the project described in the DDA (Exhibit 1B), the Advance and Repayment Agreement dated November 4, 2010 between the City and the Redevelopment Agency (Exhibit 1C) and a Letter dated October 28, 2011 to AMCAL confirming the final amounts of loans (Exhibit 1D) pertaining to the \$500,000 transfer described in Finding 2A.

3A. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the former redevelopment agency to any other public agencies or private parties for the period from January 1, 2011 through January 31, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and describe in what sense the transfer was required by one of the former redevelopment agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

Finding:

This procedure is not applicable as the former redevelopment agency did not make any transfers from the Low and Moderate Income Housing Fund other than payments for goods and services to other public agencies or private parties during the period from January 1, 2011 to January 31, 2012.

3B. **Procedure:**

Obtain a listing prepared by the Successor Agency of transfers (excluding payments for goods and services) from the Low and Moderate Income Housing Fund of the Successor Agency to any other public agencies or private parties for the period from February 1, 2012 through June 30, 2012. For each transfer, the Successor Agency should describe the purpose of the transfer and described in what sense the transfer was required by one of the former redevelopment agency's enforceable obligations or other legal requirements. Provide this listing as an attachment to the AUP report.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

3B. **Finding:**

This procedure is not applicable as the Successor Agency did not make any transfers from the Low and Moderate Income Housing Fund other than payments for goods and services to other public agencies or private parties during the period from February 1, 2012 to June 30, 2012.

3C. **Procedure:**

For each transfer, obtain the legal document that formed the basis for the enforceable obligation that required the transfer. Note in the AUP report the absence of any such legal document or the absence of language in the document that required the transfer.

Finding:

This procedure is not applicable since no transfers were identified as a result of Procedures 3A and 3B.

4. **Procedure:**

Obtain from the Successor Agency a summary of the financial transactions of the Redevelopment Agency and the Successor Agency for the fiscal periods ended June 30, 2010, June 30, 2011, January 31, 2012 and June 30, 2012. Ascertain that for each period presented, the total of revenues, expenditures and transfers account fully for the changes in equity from the previous fiscal period. Compare amounts for the fiscal period ended June 30, 2010 to the state controller's report filed for the Redevelopment Agency for that period. Compare the amounts for the other fiscal periods presented to the account balances in the accounting records or other supporting schedules.

Finding:

This procedure is required by Section 34179.5(c)(4) for the Successor Agency as a whole and therefore will be addressed in the AUP report associated with all other funds of the Successor Agency due December 15, 2012.

5. **Procedure:**

Obtain from the Successor Agency a listing of all assets of the Low and Moderate Income Housing Fund (excluding assets held by the entity that assumed the housing function previously performed by the former redevelopment agency) as of June 30, 2012. Agree the assets on the listing to the accounting records of the Successor Agency.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

5. **Finding:**

As of June 30, 2012, the Successor Agency's total assets related to the former redevelopment agency's Low and Moderate Income Housing Fund amounted to \$103,500 as presented in Schedule 3.

6. **Procedure:**

Obtain from the Successor Agency a listing of asset balances held on June 30, 2012 that were restricted for the following purposes:

- unspent bond proceeds,
- grant proceeds and program income restricted by third parties, and
- Other assets with legal restrictions.

6A. **Procedure - Unspent Bond Proceeds:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain the legal document that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have unspent bond proceeds as of June 30, 2012.

6B. **Procedure - Grant Proceeds and Program Income Restricted by Third Parties:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records, or to other supporting documentation. Obtain a copy of the grant agreement that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have grant proceeds and program income restricted by third parties as of June 30, 2012.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

6C. **Procedure - Other Assets Considered to be Legally Restricted:**

Obtain the Successor Agency's computation of the restricted balances and trace individual components of this computation to related account balances in the accounting records or other supporting documentation. We obtained the legal document that sets forth the restriction pertaining to these balances.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have any assets considered to be legally restricted as of June 30, 2012.

7. **Procedure:**

Obtain from the Successor Agency a listing of assets of the former redevelopment agency's Low and Moderate Income Housing Fund as of June 30, 2012 that are not liquid or otherwise available for distribution and ascertain if the values are listed at either purchase cost or market value as recently estimated by the Successor Agency. For assets listed at purchased cost, trace the amount to a previously audited financial statement or other accounting records of the Successor Agency and note any differences. For any differences noted, inspect evidence of asset disposal subsequent to January 31, 2012 and ascertain that the proceeds were deposited into the Successor Agency's trust fund. For assets listed at recently estimated market value, inspect evidence supporting the value and note the methodology used.

Finding:

This procedure is not applicable as the Successor Agency's assets related to the former redevelopment agency's Low and Moderate Income Housing Fund did not have any non-liquid assets as of June 30, 2012.

8A. **Procedure:**

If the Successor Agency identified that existing asset balances were needed to be retained to satisfy enforceable obligations, obtain an itemized schedule of asset balances (resources) as of June 30, 2012 that were dedicated or restricted for the funding of enforceable obligations. Compare the information on the schedule to the legal documents that formed the basis for the dedication or restriction of the resource balance in question. Compare all current balances which needed to be retained to satisfy enforceable obligations to the amounts reported in the accounting records of the Successor Agency or to an alternative computation. Compare the specified enforceable obligations to those that were included in the final Recognized Obligation Payment Schedule (ROPS) approved by the California Department of Finance. If applicable, identify any listed balances for which the Successor Agency was unable to provide appropriate restricting language in the legal document associated with the enforceable obligation.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

8A. **Finding:**

This procedure is not applicable as the Successor Agency did not identify any assets to be retained to fund enforceable obligations.

8B. **Procedure:**

If the Successor Agency identified that future revenues together with balances dedicated or restricted to an enforceable obligation are insufficient to fund future obligation payments and thus retention of current balances is required, obtain from the Successor Agency a schedule of approved enforceable obligations that include a projection of the annual spending requirements to satisfy each obligation and a projection of the annual revenues available to fund those requirements. Compare the enforceable obligations to those that were approved by the California Department of Finance for the six month period from January 1, 2012 through June 30, 2012 and for the six month period July 1, 2012 through December 31, 2012. Compare the forecasted annual spending requirements to the legal document supporting the enforceable obligation and obtain the Successor Agency's assumptions relating to the forecasted annual spending requirements. Obtain the Successor Agency's assumptions for the forecasted annual revenues. Disclose the major assumptions for the forecasted annual spending requirements and the forecasted annual revenues in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained to fund future obligations payments.

8C. **Procedure:**

If the Successor Agency identified that projected property tax revenues and other general purpose revenues to be received by the Successor Agency are insufficient to pay bond debt service payments (considering both the timing and amount of the related cash flows), obtain a schedule demonstrating this insufficiency. Compare the timing and amounts of bond debt service payments to the related bond debt service schedules in the bond agreement. Obtain the assumptions for the forecasted property tax revenues and other general purpose revenues and disclose them in this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any assets to be retained to fund bond debt service payments.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

8D. **Procedure:**

If Procedures 8A, 8B and 8C were performed, calculate the amount of unrestricted balances necessary for retention in order to meet enforceable obligations. Combine the amount identified as currently restricted balances and the forecasted annual revenues to arrive at the amount of total resources available to fund enforceable obligations. Reduce the total resources available by the amount of forecasted annual spending requirements. Include the calculation in this AUP report.

Finding:

This procedure is not applicable since no retention of unrestricted asset balances have been identified in Procedures 8A, 8B or 8C.

9. **Procedure:**

If the Successor Agency identified that cash balances as of June 30, 2012 need to be retained to satisfy obligations on the Recognized Obligation Payment Schedule (ROPS) for the period of July 1, 2012 through June 30, 2013, obtain a copy of the final ROPS for the period of July 1, 2012 through December 31, 2012 and a copy of the final ROPS for the period January 1, 2013 through June 30, 2013. For each obligation listed on the ROPS, the Successor Agency should identify (a) any dollar amount of existing cash that was needed to satisfy the obligation, and (b) the Successor Agency's explanation as to why the Successor Agency believes that such balances were needed to satisfy the obligation. Include this schedule as an attachment to this AUP report.

Finding:

This procedure is not applicable as the Successor Agency did not identify any cash balances to be retained to satisfy obligations on the ROPS for the period July 1, 2012 through June 30, 2013.

10. **Procedure:**

Present a schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies. Amounts included in the calculation should agree to the results of the procedures performed above. Agree any deductions for amounts already paid to the County Auditor-Controller on July 12, 2012 as directed by the California Department of Finance to evidence of payment.

Finding:

The schedule detailing the computation of the Balance Available for Allocation to Affected Taxing Agencies is shown in Schedule 4. The computation shows that the Successor Agency has \$103,500 available for allocation to affected taxing agencies.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY

ATTACHMENT A - AGREED-UPON PROCEDURES AND FINDINGS
RELATED TO THE LOW AND MODERATE INCOME HOUSING FUND

11. **Procedure:**

Obtain a representation letter from management of the Successor Agency acknowledging their responsibility for the data provided and the data presented in the report or in any schedules or exhibits to the report. Included in the representations is an acknowledgment that management is not aware of any transfers (as defined by Section 34179.5) from either the former redevelopment agency or the Successor Agency to other parties for the period from January 1, 2011 through June 30, 2012 that have not been properly identified in this AUP report and its related schedules or exhibits. Management's refusal to sign the representation letter should be noted in the AUP report as required by attestation standards.

Finding:

No exceptions were noted as a result of this Procedure.

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

LISTING OF ASSETS TRANSFERRED TO SUCCESSOR AGENCY

As of February 1, 2012

		Total Assets as of <u>February 1, 2012</u>
	ASSETS	
Cash and investments		<u>\$ 103,500</u>

NOTE:

- (A) For accounting purposes, the following assets recorded in the Low and Moderate Income Housing Fund at January 31, 2012 were transferred to the City of Rancho Palos Verdes as the Successor Housing Agency on February 1, 2012 pursuant to Health and Safety Code Section 34176(a)(2):

Notes receivable	<u>\$ 6,751,633</u>
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SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

TRANSFERS TO THE CITY OF RANCHO PALOS VERDES

FOR THE PERIOD JANUARY 1, 2011 THROUGH JANUARY 31, 2012:

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/Other Legal Requirement Supporting Transfer
1/31/2012	Transfer of Cash to the City of Rancho Palos Verdes	Return of excess loan proceeds not needed to fund affordable housing project	<u>\$ 500,000</u>	Health and Safety Code Section 34176 (a)(2) Asset transferred and reported on Housing Asset List filed with Department of Finance. See explanation in Finding to Procedure 2A and Exhibits 1A to 1D to the AUP report for documents supporting transfer

FOR THE PERIOD FEBRUARY 1, 2012 THROUGH JUNE 30, 2012:

Date of Transfer	Description of Transfer	Purpose of Transfer	Amount	Enforceable Obligation/Other Legal Requirement Supporting Transfer
2/1/2012	Transfer of Notes Receivable the City of Rancho Palos Verdes	Transfer Housing Assets to the Successor Housing Agency	<u>\$ 6,751,633</u>	Health and Safety Code Section 34176 (a)(2) Asset transferred and reported on Housing Asset List filed with Department of Finance

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY
AGREED-UPON PROCEDURES RELATED TO THE
LOW AND MODERATE INCOME HOUSING FUND

LISTING OF ASSETS

As of June 30, 2012

		Total Assets as of June 30, 2012
	ASSETS	
Cash and investments		<u>\$ 103,500</u>

SUCCESSOR AGENCY TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY
 AGREED-UPON PROCEDURES RELATED TO THE
 LOW AND MODERATE INCOME HOUSING FUND

SUMMARY OF BALANCE AVAILABLE FOR ALLOCATION TO AFFECTED TAXING AGENCIES

As of June 30, 2012

Total amount of assets held by the Successor Agency as of June 30, 2012 - (Procedure 5)	\$ 103,500
Less assets legally restricted for uses specified by debt covenants, grant restrictions, or restrictions imposed by other governments - (Procedure 6)	-
Less assets that are not cash or cash equivalents (e.g., physical assets) - (Procedure 7)	-
Less balances that are legally restricted for the funding of an enforceable obligation (net of projected annual revenues available to fund those obligations) - (Procedure 8)	-
Less balances needed to satisfy ROPS for the 2012-13 fiscal year - (Procedure 9)	-
Less the amount of payments made on July 12, 2012 to the County Auditor-Controller as directed by the California Department of Finance	-
Add the amount of any assets transferred to the City for which an enforceable obligation with a third party requiring such transfer and obligating the use of the transferred assets did not exist - (Procedures 2 and 3)	-
Amount to be remitted to County for disbursement to taxing agencies	<u>\$ 103,500</u>

EXHIBIT 1A

**DISPOSITION AND DEVELOPMENT AGREEMENT
DATED MARCH 20, 2009**

CRESTRIDGE SENIOR HOUSING PROJECT

DISPOSITION AND DEVELOPMENT AGREEMENT

By and Among

**RANCHO PALOS VERDES REDEVELOPMENT AGENCY,
a public body, corporate and politic,**

and

**AMCAL MIRANDELA FUND, L.P.,
a California limited partnership**

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DISPOSITION AND DEVELOPMENT AGREEMENT
CRESTRIDGE SENIOR HOUSING PROJECT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT ("Agreement"), dated this 20th day of March, 2009, is entered into by and between the RANCHO PALOS VERDES REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and AMCAL MIRANDELA FUND, L.P., a California limited partnership ("Developer"). Agency and Developer agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions

As used in this Agreement, including the attachments hereto, these terms shall be defined as follows:

1.1.1 Acquisition Portion is described in Section 7.2.2(b).

1.1.2 Affordable Rent shall mean annual rent (including utilities) payable by the tenant as follows:

(a) for Extremely Low Income Senior Households, an amount not in excess of thirty (30) percent of thirty (30) percent of the Area-wide Median Income, as adjusted for family size appropriate for the unit;

(b) for Very Low Income Senior Households, an amount not in excess of thirty (30) percent of fifty (50) percent of the Area-wide Median Income, as adjusted for family size appropriate for the unit;

(c) for Lower Income Senior Households, an amount not in excess of thirty (30) percent of sixty (60) percent of the Area-wide Median Income, as adjusted for family size appropriate for the unit. For Lower Income Senior Households whose gross incomes exceed sixty (60) percent of the Area-wide Median Income, an amount not in excess of thirty (30) percent of the gross income of the household;

(d) for Moderate-Income Senior Households, an amount not in excess of thirty (30) percent of one hundred ten (110) percent of the Area-wide Median Income, as adjusted for family size appropriate for the unit. For Moderate Income Senior Households whose gross incomes exceed one hundred ten (110) percent of the Area-wide Median Income, an amount not in excess of thirty (30) percent of the gross income of the household;

(e) this definition shall be interpreted so as to comply with the requirements of California Health and Safety Code § 50053, and applicable regulations adopted by the California Department of Housing and Community Development;

(f) In the event of any conflict between the rental restrictions outlined above and any rental restrictions imposed by any other source of financing, including TCAC, the more restrictive requirements shall prevail.

1.1.3 Agency shall have the meaning ascribed in Section 2.2.

1.1.4 Agency Deferred Disbursement shall have the meaning ascribed in Section 7.4.2.

1.1.5 Agency Deferred Disbursement Note shall mean the promissory note evidencing the Agency Deferred Disbursement, in the form attached hereto as Attachment No. 11.

1.1.6 Agency Loan shall mean the loan described in Section 7.2.

1.1.7 Agency Note shall mean the promissory note evidencing the Agency Loan, in the form attached hereto as Attachment No. 9.

1.1.8 Agency Regulatory Agreement shall mean the Regulatory Agreement to be entered into between Developer and Agency pursuant to Section 6.7, substantially in the form attached hereto as Attachment No. 5 and incorporated herein by this reference.

1.1.9 Agency Title Policy shall have the meaning set forth in Section 4.5.1(b).

1.1.10 Agency Trust Deed shall mean the deed of trust securing the Agency Note, in the form attached hereto as Attachment No. 10.

1.1.11 Agency's Board shall mean the Board of Directors of the Agency.

1.1.12 Agency's Title Notice shall refer to the written notice described in Section 4.4.2(c).

1.1.13 Annual Report shall have the meaning set forth in Section 6.2.4.

1.1.14 Approved Title Exceptions shall have the meaning set forth in Section 4.4.2.

1.1.15 Area-wide Median Income shall mean the median family income (adjusted for family size) for the Los Angeles County area as annually published by either TCAC or United States Department of Housing and Urban Development ("HUD") pursuant to Section 8 of the United States Housing Act of 1937, as amended, whichever is lower. If both TCAC and HUD cease annually to publish median incomes, the Parties will agree upon an adequate substitute manner for determining Area-wide Median Income.

1.1.16 Basic Concept Drawings shall mean the drawings described in Section 5.2.1.

1.1.17 California Community Redevelopment Law shall mean Division 24, Part 1 of the Health and Safety Code of the State of California, beginning at Section 33000.

1.1.18 California Environmental Quality Act or CEQA shall mean Division 13 of the California Public Resources Code, and the Guidelines for California Environmental Quality Act, California Code of Regulations, Title 14, Chapter 3.

1.1.19 Certificate of Completion shall mean the certificate issued by Agency following completion of the Improvements pursuant to Section 5.16 hereof, in the form attached hereto as Attachment No. 7.

1.1.20 City shall mean the City of Rancho Palos Verdes, a California municipal corporation.

1.1.21 City and Agency Rules and Powers shall have the meaning set forth in Section 9.14.

1.1.22 City Council shall mean the City Council of the City.

1.1.23 City Manager shall mean the City Manager of the City or his or her designee.

1.1.24 Claims means any claims, demands, causes of action, suits, judgments, debts, costs, losses, penalties, fines, encumbrances, rights, obligations, causes of action, indemnities, liens, expenses (including but not limited to any claims for attorneys' fees and costs and Remediation Costs), settlements, professionals' fees, tax claims, claims for payment, claims for contribution or indemnity (whether statutory, contractual or equitable), or claims for costs, losses, expenses, compensation, liabilities or damages, of any and every kind or nature whatsoever, whether known or unknown, and whether based on strict liability, active or passive negligence, gross negligence, contractual or statutory liability, or otherwise, and whether seeking judicial, arbitral, administrative, or equitable relief or otherwise, costs and expenses of investigation, analysis, Remediation, and defense of any claim, and whether or not any such claim is ultimately defeated.

1.1.25 Close of Escrow is defined in Section 4.7.3.

1.1.26 Closing Date shall mean the date specified in Section 4.7.3(b), unless extended by both Parties in writing for reasonable cause.

1.1.27 Construction Escrow is described in Section 7.4.1(a).

1.1.28 Construction Escrow Holder is described in Section 7.4.1(a).

1.1.29 Construction Financing Portion is described in Section 7.2.2(c).

1.1.30 Contractor shall have the meaning set forth in Section 3.4.

1.1.31 Control shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a corporation, partnership, joint venture, trust, or other association.

1.1.32 Debt Service shall have the meaning set forth in Section 7.5.2(b).

1.1.33 Developer is described in Section 2.3.

1.1.34 Developer Loan shall have the meaning set forth in Section 7.5.2(e).

1.1.35 Developer Title Policy shall have the meaning ascribed in Section 4.5.1(a).

1.1.36 Developer's Title Notice shall refer to the written notice described in Section 4.4.2(b).

1.1.37 Development shall mean the conveyance of the Site by Agency to Developer and Developer's construction of the Improvements.

1.1.38 Development Plans shall mean and include such preliminary and final construction drawings and specifications, grading plans, landscape plans, site development plans, plot plans, off-site improvement plans, architectural renderings and elevations, material specifications, parking plans, and other plans and documents as are required to be submitted to Agency pursuant to this Agreement or any applicable Law.

1.1.39 Effective Date shall mean the date set forth in the introductory paragraph of this Agreement.

1.1.40 Encumbrance shall mean and include any mortgage, trust deed, encumbrance, lien or other mode of financing real estate construction, and development and ownership, including a sale and leaseback.

1.1.41 Entitlements shall mean specific plan amendments, zone changes, zoning code amendments, conditional use permits, variances, tentative tract map (if any), approvals of plans submitted pursuant to Section 5.2, California Environmental Quality Act compliance, demolition permits, building permits, and grading permits, and any and all other entitlements of every kind required by the City in order to complete construction of the Improvements on the Site.

1.1.42 Environmental Condition means any Hazardous Material that exists prior to or after the Close of Escrow, with respect to the air, land, soil, surface, subsurface strata, surface water, ground water, storm water or sediments, on, under or above the Site.

1.1.43 Environmental Laws shall mean all federal, California and local Laws, rules, orders, regulations, statutes, ordinances, codes, decrees, or requirements of any government authority regulating, relating to, or imposing liability or standards of conduct concerning any Hazardous Material (as later defined), or Environmental Conditions on, under, or about the Site, as now or may at any later time be in effect, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), 42 U.S.C. §§ 9601 *et seq.*; the Resource Conservation and Recovery Act of 1976 (RCRA), 42 U.S.C. §§ 6901 *et seq.*; the Clean Water Act, also known as the Federal Water Pollution Control Act (FWPCA), 33 U.S.C. §§ 1251 *et seq.*; the Toxic Substances Control Act (TSCA), 15 U.S.C. §§ 2601 *et seq.*; the Hazardous Materials Transportation Act (HMTA), 49 U.S.C. §§ 1801 *et seq.*; the Insecticide, Fungicide, Rodenticide Act, 7 U.S.C. §§ 136 *et seq.*; the Superfund Amendments and Reauthorization Act, 42 U.S.C. §§ 6901 *et seq.*; the Clean Air Act, 42 U.S.C. §§ 7401 *et seq.*; the Safe Drinking Water Act, 42 U.S.C. §§ 300f *et seq.*; the Solid Waste Disposal Act, 42 U.S.C. §§ 6901 *et seq.*; the Surface Mining Control and Reclamation Act, 30 U.S.C. §§ 1201 *et seq.*; the Emergency Planning and Community Right to Know Act, 42 U.S.C. §§ 11001 *et seq.*; the Occupational Safety and Health Act, 29 U.S.C. §§ 655 and 657; the California Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 *et seq.*; the California Hazardous Substances Account Act, Cal. Health & Safety Code §§ 25300 *et seq.*; the California Hazardous Waste Control Act, Cal. Health & Safety Code §§ 25100 *et seq.*; the California Safe Drinking Water and Toxic Enforcement Act, Cal. Health & Safety Code §§ 24249.5 *et seq.*; the Porter-Cologne Water Quality Act, Cal. Water Code §§ 13000 *et seq.*, together with any amendments of or regulations promulgated under the statutes cited above and any other federal, state, or local Law, statute, ordinance, or regulation now in effect or later enacted that pertains to occupational health or industrial hygiene (and only to the extent that the occupational health or industrial hygiene Laws, ordinances, or regulations relate to Hazardous

Materials on, under, or about the Site), or the regulation or protection of the environment, including ambient air, soil, soil vapor, groundwater, surface water, or land use.

1.1.44 Escrow shall have the meaning set forth in Section 4.7.

1.1.45 Escrow Agent shall have the meaning set forth in Section 4.7.

1.1.46 Exceptions shall mean all reservations, liens, Encumbrances, qualifications, covenants, conditions, restrictions, leases, easements, rights of way, or other like matters affecting the Site, and all matters reflected on or arising out of any tentative or final parcel map for the Site.

1.1.47 Executive Director shall mean the Executive Director of Agency, or his or her designee.

1.1.48 Extremely Low Income Senior Households shall mean Senior Households with adjusted family incomes not greater than thirty (30) percent of the Area-wide Median Income.

1.1.49 Final Approval shall mean the obtaining of approval of all Entitlements, the expiration without an appeal of the period for any administrative appeal of such approval or if any administrative appeal has been taken, such appeal has been resolved to permit the Entitlements, and that the applicable period for commencement of any court challenge under the California Environmental Quality Act or other applicable Law, not to exceed ninety (90) days thereafter, has expired and either no action has been filed, or if any action has been filed, it has been finally resolved upon terms acceptable to Agency in its reasonable discretion.

1.1.50 Financing Plan shall mean Attachment No. 8, attached hereto and incorporated herein by this reference.

1.1.51 Force Majeure is described in Section 9.3.

1.1.52 General Plan shall mean the General Plan for the City.

1.1.53 Grant Deed shall mean the grant deed conveying fee title to the Site from Agency to Developer, in the form attached hereto as Attachment No. 4.

1.1.54 Hazardous Materials shall mean and include the following, including mixtures thereof: any hazardous substance, pollutant, contaminant, waste, by-product or constituent regulated under CERCLA; oil and petroleum products and natural gas, natural gas liquids, liquefied natural gas and synthetic gas usable for fuel; pesticides regulated under the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §§ 136 *et seq.*; asbestos and asbestos-containing materials, PCBs and other substances regulated under TSCA; source material, special nuclear material, by-product material and any other radioactive materials or radioactive wastes, however produced, regulated under the Atomic Energy Act, 42 U.S.C. §§ 2201 *et seq.* or the Nuclear Waste Policy Act of 1982, 42 U.S.C. §§ 10141 *et seq.*; chemicals subject to the OSHA Hazard Communication Standard, 29 C.F.R. §§ 1910.1200 *et seq.*; industrial process and pollution control wastes, whether or not hazardous within the meaning of RCRA; any substance defined as a "hazardous substance" in California Civil Code Section 2929.5(e)(2) or California Code of Civil Procedure Section 736(f)(3); and any other substance or material regulated by any Environmental Laws.

1.1.55 Holder(s) shall mean the mortgager of record of any mortgage, beneficiary of a deed of trust or other security interest, the lessor under a financing leaseback, or grantee under any form of financing conveyance on or affecting the Site or any portion of the Site.

1.1.56 Improvements shall mean and include all grading to be done on the Site, as well as all buildings, structures, fixtures, excavation, parking, landscaping, and other work, construction, rehabilitation, alterations and improvements of whatever character to be done by Developer on, around, under or over the Site pursuant to this Agreement, and certain off-site improvements, as more particularly described in the Scope of Development.

1.1.57 Indemnitees is defined in Section 4.6.3.

1.1.58 Law shall mean any statute, code, rule, regulation, ordinance, writ, injunction, order, decree, ruling, court decision, condition of approval or authorization, or other legally binding condition or requirement of any governmental authority (including but not limited to federal, California and City authorities) or quasi-governmental body having or exercising jurisdiction or control over Developer, Agency, the City or the Site or any portion thereof, including, without limitation, all applicable prevailing wage laws and all applicable federal, state and local occupation, safety and health laws, rules, regulations and standards, applicable state labor standards, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City of Rancho Palos Verdes Municipal Code, and all applicable disabled and handicapped access requirements, including, without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

1.1.59 Lower Income Senior Households shall mean Senior Households with adjusted family incomes not greater than eighty (80) percent of the Area-wide Median Income.

1.1.60 Management Plan shall mean the plan described in Section 6.3.

1.1.61 Moderate Income Senior Households shall mean Senior Households with adjusted family incomes not greater than one hundred twenty (120) percent of the Area-wide Median Income, and whose income exceeds the income limit for Lower Income Senior Households.

1.1.62 Mortgage means any and all security instruments used in California, such as, without limitation, deeds of trust, security deeds, and conditional deeds, as well as financing statements, security agreements and other documentation required pursuant to the Uniform Commercial Code. The term "Mortgage," whenever used herein, shall also include any instruments required in connection with a sale-leaseback transaction.

1.1.63 Municipal Code shall mean the Municipal Code of the City.

1.1.64 Net Available Cash Flow shall have the meaning set forth in Section 7.5.2.

1.1.65 Net Proceeds shall have the meaning set forth in Section 7.6(a).

1.1.66 Operating Expenses shall have the meaning set forth in Section 7.5.2(b).

1.1.67 Operating Income shall have the meaning set forth in Section 7.5.2(b).

1.1.68 Operating Reserve shall have the meaning set forth in Section 7.5.2(b).

1.1.69 Ownership Transfer means any of the following:

(a) Any total or partial, conditional or unconditional, voluntary or involuntary, sale, lease, assignment, operating agreement, pledge, hypothecation, conveyance, trust, power, or transfer in any other mode or form, by Developer of any interest in this Agreement, the Site, the Improvements, or any part of any of the foregoing; or

(b) Any total or partial, conditional or unconditional, sale, assignment, pledge, conveyance, or transfer in any other mode or form, that results in a change in Control of Developer, or a series of such sales, assignments and the like that, in the aggregate, result or could result in a change in Control of Developer; or

(c) Any merger, consolidation, sale, or lease of more than fifty percent (50%) of the assets of Developer, or a series of such sales, assignments and the like that, in the aggregate, result in a disposition of more than a fifty percent (50%) interest in the assets of Developer.

1.1.70 Party, Parties shall mean one or both of Agency and Developer, as applicable.

1.1.71 Permitted Alterations shall have the meaning set forth in Section 6.5.

1.1.72 Permitted Encumbrance shall mean any Encumbrance permitted by Section 5.13.1 of this Agreement.

1.1.73 Permitted Transfer shall have the meaning set forth in Section 2.6.3.

1.1.74 Person shall mean an individual, corporation, partnership, Limited Liability Company, joint venture, association, firm, Joint Stock Company, trust, unincorporated association or other entity.

1.1.75 Persons and Families of Low or Moderate Income shall mean persons and families with adjusted family incomes not greater than one hundred twenty (120) percent of the Area-wide Median Income.

1.1.76 Preliminary Title Report shall have the meaning set forth in Section 4.4.1.

1.1.77 Prevailing Wage shall have the meaning set forth in Section 1720 of the California Labor Code.

1.1.78 Prevailing Wage Law shall mean Sections 1770-1780 of the California Labor Code, and all orders and regulations of the California Department of Industrial Relations issued pursuant to those statutes.

1.1.79 Project Area shall mean the area included within the Redevelopment Project No. 1. The exact boundaries of the Project Area are set forth in the Redevelopment Plan.

1.1.80 Purchase Price shall have the meaning set forth in Section 4.2.

1.1.81 Redevelopment Plan shall mean the Redevelopment Plan for Redevelopment Project Area No. 1, approved and adopted by the City Council of the City by Ordinance No. 190 on November 27, 1984, and most recently amended on December 20, 1994 by Ordinance No. 305.

1.1.82 Released Parties is defined in Section 4.6.3.

1.1.83 Remediation and Remediate shall mean actions taken to correct or remediate any Environmental Condition on the Site, including, but not limited, to the removal and disposal of any Hazardous Material, and the implementation of the terms of any remediation plan and any amendments thereto.

1.1.84 Remediation Costs means the amounts expended for Remediation or response to an Environmental Condition, and amounts expended to determine the extent of the Environmental Condition and to determine the appropriate means of Remediation or response, including any investigation, testing, sampling, monitoring or assessment expenses, attorney's or environmental professional's fees, and the costs of surveys, audits or analyses.

1.1.85 Replacement Reserve shall have the meaning set forth in Section 7.5.3.

1.1.86 Restricted Units shall mean those thirty-three (33) of the units to be constructed on the Site pursuant to this Agreement that shall be rented exclusively to Senior Households that are Persons and Families of Low or Moderate Income at an Affordable Rent, as more particularly described in Article 6 of this Agreement.

1.1.87 Right of Reverter shall have the meaning set forth in Section 8.5.3.

1.1.88 Schedule of Performance shall mean the Schedule of Performance attached hereto as Attachment No. 3 and incorporated herein by reference, setting out the dates and time periods by which certain obligations set forth in this Agreement must be met.

1.1.89 Scope of Development shall mean the Scope of Development attached hereto as Attachment No. 6 and incorporated by reference herein, which describes the Improvements to be constructed by Developer pursuant to the terms and conditions of this Agreement.

1.1.90 Senior Households shall mean households where all members are sixty-two (62) years of age or older. This definition shall be subject to, and interpreted consistent with, the requirements of federal and state fair housing Laws, including but not limited to California Civil Code Section 51 (the Unruh Civil Rights Act).

1.1.91 Site shall mean the entirety of the property subject to this Agreement, approximately 2.88 acres in area. The Site is legally described in Attachment No. 1 and depicted in Attachment No. 2, and is located at the intersection of Crenshaw Boulevard and Crestridge Road.

1.1.92 TCAC shall mean the California Tax Credit Allocation Committee.

1.1.93 TCAC Regulations shall mean California Code of Regulations, Title 4, Division 17, Chapter 1.

1.1.94 Tax Credits shall mean low income housing tax credits, as defined in 26 United States Code, Section 42.

1.1.95 Title Company shall mean First American Title Company, Jimmy Morada, Senior Title Officer, 777 South Figueroa St. #400, Los Angeles, CA 90017, Phone 213-271-1700, Fax 818-337-7155, or such other title company as the Parties may mutually agree upon.

1.1.96 Title Documents shall have the meaning set forth in Section 4.4.1.

1.1.97 Very Low Income Senior Households shall mean Senior Households with adjusted family incomes not greater than fifty (50) percent of the Area-wide Median Income.

ARTICLE 2 PURPOSE OF AGREEMENT; PARTIES; REPRESENTATIONS AND WARRANTIES

2.1 Purpose of the Agreement

2.1.1 The purpose of this Agreement is to cause the redevelopment of an Agency owned parcel with approximately thirty-four (34) units of rental housing, thirty-three (33) of which will be restricted to occupancy by Senior Households that are Persons and Families of Low or Moderate Income (including Extremely Low Income, Very Low Income, and Lower Income Senior Households), at an Affordable Rent. Pursuant to, in accordance with, and upon satisfaction of the conditions of this Agreement, Agency will convey the Site to Developer, and Developer will construct on the Site the Improvements.

2.1.2 The redevelopment of the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the health, safety and welfare of its residents and in accord with the public purposes and provisions of applicable federal, California and City Laws, including the elimination of present blighted conditions in the Project Area, and within the jurisdiction and powers of Agency. This Agreement is entered into for the purpose of redeveloping the Site, including the provision of public parking and affordable housing, and not for speculation in landholding. This Agreement is subject to the provisions of the Redevelopment Plan, which is on file at Agency's office and incorporated herein by reference.

2.2 Agency

Agency is a public body, corporate and politic, exercising governmental functions and powers and organized and existing pursuant to Part 1.7 of Division 24 of the Health and Safety Code, Sections 33000 *et seq.* of the State of California. The principal office of Agency is located at 30940 Hawthorne Boulevard, Rancho Palos Verdes, CA 90274. The term "Agency" includes any assignee or successor to Agency's rights, powers and responsibilities under this Agreement.

2.3 Developer

Developer is AMCAL Mirandela Fund, L.P., a California limited partnership. The principal office of Developer for purposes of this Agreement is 30141 Agoura Road, Suite 100, Agoura Hills, CA 91301. AMCAL Multi-Housing, Inc. a California corporation, is the administrative general partner of Developer. The term "Developer" includes any legally and contractually permissible nominee, assignee or successor to Developer's rights, powers and responsibilities hereunder. All of the terms, covenants, and conditions of this Agreement shall be binding on such successors and assigns of Developer.

2.4 Agency Representations

Agency, acknowledging that each provision in this Section 2.4 is material and is being relied on by Developer, hereby represents and warrants the following to Developer for the purpose of inducing Developer to enter into this Agreement and to consummate the transactions contemplated hereby, all of which shall be true as of the date hereof and as of the Close of

Escrow until issuance of the Certificate of Completion, and which shall survive the Close of Escrow and delivery of the Grant Deed conveying title to the Site:

(a) The Redevelopment Plan has been duly adopted in compliance with all applicable Laws and is currently in full force and effect.

(b) Agency has the legal power, right and authority to enter into this Agreement and the instruments and documents referenced herein to which Agency is a party, to consummate the transactions contemplated hereby, to take any steps or actions contemplated hereby, and to perform its obligations hereunder.

(c) All requisite action has been taken by Agency and all requisite consents have been obtained in connection with entering into this Agreement and the instruments and documents referenced herein to which Agency is a party. There are no writs, injunctions, orders or decrees of any court or governmental body that would be violated by the Agency entering into or performing its obligations under this Agreement.

(d) This Agreement is duly executed by Agency, and all agreements, instruments and documents to be executed by Agency pursuant to this Agreement shall, at such time as they are required to be executed hereunder, be duly executed by Agency, and each such agreement is, or shall be at such time as it is required to be executed hereunder, valid and legally binding upon Agency and enforceable in accordance with its terms, and the execution and delivery thereof shall not, with due notice or the passage of time, constitute a default under or violate the terms of any indenture, agreement or other instrument to which Agency is a party.

(e) Agency has delivered to Developer a copy of that certain Phase I Environmental Site Assessment dated January 17, 2000, prepared for Agency by EP Associates, Project No. 10630501 (the "EP Report"). Agency has received from Developer a copy of that certain Phase I Environmental Site Assessment dated December 15, 2008, prepared for Developer by Anderson Environmental, Project No. 0811-782 (the "Anderson Report"). Other than as set forth in the EP Report and the Anderson Report, Agency knows of no Hazardous Materials located on the Site.

2.5 Developer Representations

Developer, acknowledging that each provision in this Section 2.5 is material and is being relied upon by Agency, represents and warrants the following to Agency for the purpose of inducing Agency to enter into this Agreement and to consummate the transactions contemplated hereby, all of which shall be true as of the date hereof and as of the Close of Escrow until issuance of the Certificate of Completion, and which shall survive the Close of Escrow and delivery of the Grant Deed conveying title to the Site:

(a) AMCAL Mirandela Fund, L.P. is a California limited partnership duly organized, qualified and validly existing and in good standing under the laws of the State of California, is duly qualified to do business and in good standing under the laws of California and each other jurisdiction where the operation of its business or its ownership of property make such qualification necessary, and has all requisite power and authority to own and operate its properties, to carry on its business as now and whenever conducted, and to enter into and perform its obligations under this Agreement.

(b) AMCAL Multi-Housing, Inc. is a California corporation duly organized, qualified and validly existing and in good standing under the laws of the State of California, is duly qualified to do business and in good standing under the laws of California and

each other jurisdiction where the operation of its business or its ownership of property make such qualification necessary, and has all requisite power and authority to own and operate its properties, to carry on its business as now and whenever conducted, and to enter into and perform its obligations as the administrative general partner of Developer.

(c) Developer has the legal power, right and authority to enter into this Agreement and the instruments and documents referenced herein, to consummate the transactions contemplated hereby, to take any steps or actions contemplated hereby, and to perform its obligations hereunder.

(d) All requisite action has been taken by Developer and all requisite consents have been obtained by Developer in connection with entering into this Agreement and the instruments and documents referenced herein, and the consummation of the transactions contemplated hereby.

(e) To the best knowledge of Developer, the execution, delivery and performance by Developer of this Agreement will not violate any provision of Law, any order of any court or other government entity, or any indenture, agreement or other instrument to which Developer is a party or by which Developer or any of its properties is bound.

(f) This Agreement is, and all agreements, instruments and documents to be executed by Developer pursuant to this Agreement shall be, duly executed by and are, or shall be, valid and legally binding upon Developer and enforceable in accordance with their respective terms, and the execution and delivery thereof shall not, with due notice or the passage of time, constitute a default under or violate the terms of any indenture, agreement or other instrument to which Developer is a party.

(g) Developer has delivered to Agency all formation and organizational documents of Developer, and all such formation and organizational documents remain in full force and effect and have not been amended or modified since they were delivered to Agency, except as may be delivered to Agency from time to time in writing. Developer shall immediately provide Agency with copies of any amendments or modifications of its formation or organizational documents that become effective prior to issuance of a Certificate of Completion.

(h) Except as set forth in this Agreement, Developer is not relying on any oral or written representation nor the non-disclosure of any facts or conclusions of law made by Agency or City, or any of their officers, officials, employees, agents, attorneys or representatives made in connection with this Agreement.

(i) To Developer's knowledge, there are no facts now in existence that would, with the giving of notice or the lapse of time, or both, constitute a default hereunder.

(j) The construction and completion of any or all of the Improvements to be constructed on or off the Site by Developer will be in accordance and compliance with all Development Plans approved pursuant to Section 5.3, the Schedule of Performance (subject to Force Majeure) and all provisions of this Agreement, and as completed: (i) will comply with all applicable Laws, including, without limitation, compliance with all Laws necessary to permit development, completion, and sale or lease, as contemplated by this Agreement; and (ii) will not violate any enforceable and applicable use, easement, license, covenant, condition, or restriction.

(k) Developer does not know of any adverse condition or circumstances, pending or threatened litigation, governmental action, or other condition that could prevent or materially impair Developer's ability to develop the Site as contemplated by the

terms of this Agreement, assuming that the conditions precedent described in Section 4.3.2 are satisfied.

(l) There are no suits, other proceedings, or investigations pending or threatened against, or affecting the business or the properties of Developer, or any person with Control over Developer, which, if determined adversely to such party, would have a materially adverse effect on the financial condition of Developer, nor is Developer in violation of any Laws.

2.6 Prohibition Against Transfer

2.6.1 Developer represents that its undertakings pursuant to this Agreement are for the purpose of redevelopment of the Site with the Improvements, including the provision of affordable housing, and not for speculation in landholding. Developer further recognizes that, in view of:

(a) the importance of the redevelopment of the Site to the general welfare of the community;

(b) the public assistance that has been made available by Law and by Agency for the purpose of making such redevelopment possible; and

(c) the fact that a change in ownership or Control of Developer or of a substantial part thereof, or any other act or transaction involving or resulting in a significant change in ownership or Control of Developer, is for practical purposes a transfer or disposition of the property being sold to Developer.

The qualifications and identity of Developer and its principals are of particular concern to Agency and the City. It is because of those qualifications and identity that Agency has entered into this Agreement with Developer. No voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement except as expressly set forth herein.

2.6.2 Prior to the recordation of the Certificate of Completion, Developer shall not, except as permitted by this Agreement, effect any Ownership Transfer or other change in Control of Developer, without prior written approval of Agency which approval shall not be unreasonably delayed, withheld or conditioned. Any such approval shall not constitute a release of Developer of its obligations hereunder. This prohibition shall not apply subsequent to the recordation of the Certificate of Completion. Developer shall promptly notify Agency in writing of any and all changes whatsoever in the identity of the business entities or individuals either comprising or in Control of the Developer, as well as any and all changes in the interest or the degree of control of the Developer by any such person, of which information the Developer or any of its partners, members or officers are notified or may otherwise have knowledge or information.

2.6.3 Notwithstanding the foregoing, Section 2.6.2 shall not prevent or prohibit the following, each a "Permitted Transfer":

(a) any change in personnel of Developer or its constituent entities;

(b) any Ownership Transfer creating a Mortgage that is a Permitted Encumbrance;

(c) any transfer of limited partnership interests in the Developer to tax credit investors or related affiliates provided that (i) the Development is allocated Tax Credits; and (ii) the partnership agreement of the Developer provides for capital contributions of the limited partners of the Developer substantially consistent with the Financing Plan;

(d) recordation of regulatory agreements and restrictive covenants required by the TCAC, or by other governmental agencies which provide financial assistance to the Development;

(e) the lease for occupancy of all or any part of the Development, consistent with the use restrictions in Article 6; and

(f) the granting of easements or permits to facilitate the completion of the Development in accordance with this Agreement.

2.6.4 (a) Any proposed transferee of Developer who must be approved by Agency (the provisions of this subsection 2.6.4 shall not apply to any transferee authorized by subsection 2.6.3) must have significant, successful experience in the development, ownership, operation, and management of projects of a similar type to the Development, and the financial qualifications, as may be reasonably determined by Agency, to fulfill the obligations undertaken in this Agreement by the transferor.

(b) Any proposed transferee, by instrument in writing satisfactory to Agency, for itself and its successors and assigns, and for the benefit of Agency, shall expressly assume all of the obligations of Developer under this Agreement and shall agree to be subject to all the conditions and restrictions to which Developer is subject. All relevant instruments and other legal documents required to effectuate any such transfer shall be submitted to Agency, and if the transferee is approved by Agency, its approval shall be presented to Developer in writing.

(c) All instruments and other legal documents proposed to effect any proposed Ownership Transfer (except Permitted Transfers) shall be submitted to Agency for review, prior to the Ownership Transfer, and the written approval or disapproval of the Ownership Transfer shall be provided to the Developer within thirty (30) calendar days following Agency's receipt of Developer's request.

(d) In connection with Agency's review of any request for approval of any proposed Ownership Transfer (except Permitted Transfers) under this Section 2.6, Developer agrees to reimburse Agency for those third party costs and expenses incurred by Agency in connection with its review of Developer's request for approval, including, without implied limitation, the reasonable fees and costs of those outside consultants and legal counsel retained by Agency to assist it in its review of Developer's request.

2.6.5 If, prior to the issuance of the Certificate of Completion, there is any Ownership Transfer of Developer not approved by Agency or otherwise permitted by subsection 2.6.3, Agency may take such action as Agency may deem appropriate to assure Agency that the Improvements will be completed, including without limiting the generality of the foregoing, terminating this Agreement and exercising any rights set forth in this Agreement; provided, however, that Agency shall not terminate this Agreement without first providing Developer written notice and opportunity to cure pursuant to the provisions of Section 8.1. In the absence of specific written agreement by Agency, no such sale, transfer, conveyance or assignment of the Site shall be deemed to relieve Developer from any obligations under this Agreement.

ARTICLE 3 SPECIAL PROVISIONS

3.1 Schedule of Performance

3.1.1 Subject to the provisions of Section 9.3 (Force Majeure), Developer and Agency shall perform their obligations hereunder by the deadlines specified in the Schedule of Performance, or such reasonable extension of those dates as may be granted by each Party to the other in writing. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing by Developer and Agency.

3.1.2 Should Developer not receive an award of Tax Credits in either the first or second rounds of 2009, either Party may terminate this Agreement upon five (5) days notice to the other Party. Notwithstanding the preceding sentence, should Developer be preventing from submitting a complete application for an award of Tax Credits in the first round of 2009, due to a delay caused by Agency or the City, or if there is only one round for Tax Credits in 2009, Developer shall have the right to submit an application for an award of Tax Credits for the first round of 2010. In the event that Developer submits such an application, and does not receive an award of Tax Credits in the first round of 2010, either Party may terminate this Agreement upon five (5) days notice to the other Party. Upon such termination of this Agreement, all monies or documents deposited by any Party into the unclosed Escrow shall be returned to the Party making such deposit. Agency shall pay all escrow cancellation costs for the Escrow.

3.2 Delegation to Executive Director

3.2.1 The Executive Director is hereby authorized to take any and all steps necessary to complete the acquisition and sale of the Site and to implement the provisions of this Agreement.

3.2.2 The Executive Director is further authorized, on behalf of Agency, to: (a) approve extensions of time hereunder, so long as the cumulative total of such extensions does not exceed three hundred and sixty five (365) days; (b) approve, waive or make comments in connection with Developer's submittals described in Article 5 and Article 7; (c) waive any of Agency's conditions or requirements to the Close of Escrow; and (d) at his/her sole and absolute discretion, provide for the adjustment of the affordability restrictions in Section 6.2 to income levels for Persons and Families of Low or Moderate Income in the event of foreclosure by the permanent lender. Any such modifications or extensions shall be incorporated into the Schedule of Performance and this Agreement (and the Agency Regulatory Agreement, in the case of item (d)) without need for an amendment of this Agreement. No action of the Executive Director pursuant to this Section shall be effective unless it is express and in writing.

3.2.3 The Executive Director may grant, in writing, any approval requested by Developer pursuant to subsection 3.2.2, or, in the exercise of his or her reasonable discretion, refer such matters to Agency's Board or the City Council for its approval or disapproval. In addition, notwithstanding the time periods (if any) for such approvals set forth in this Agreement, if the Executive Director deems it appropriate or necessary to hold a public meeting before the action specified is to be taken, the period for such action by Agency or the City shall be extended by a reasonable amount of time, not to exceed thirty (30) days in each case, for the holding of such public meeting. In that event, the period of delay attributable to the public meeting shall extend the time(s) for Developer's performance by a commensurate period.

3.3 Submission of Evidence of Financing

3.3.1 Prior to the Close of Escrow, and within the time established therefor in the Schedule of Performance, Developer shall submit to the Executive Director evidence that Developer has obtained, or will obtain prior to the Close of Escrow, sufficient commitments for financing to finance the completion of that portion of the Development that is the subject of the Escrow, such that the Executive Director is reasonably satisfied that the Development can be constructed.

3.3.2 Such evidence shall include, at a minimum:

(a) a copy of an executed letter of commitment from the construction lender in an amount sufficient to complete construction of the Improvements, or reasonably final construction loan documents along with evidence reasonably satisfactory to the Executive Director that the lender intends to execute the same and provide an initial funding on or before the Close of Escrow. Any such agreement shall provide for notice of default to Agency, and grant Agency the right to cure any default of Developer; and

(b) evidence of sufficient take out financing, in a form reasonably satisfactory to the Executive Director, such that the Executive Director can determine that sufficient funding for the Development will be available; and

(c) a copy of the preliminary reservation letter from TCAC, a copy of the letter of intent from the tax credit syndicator reflecting the total amount of the syndication proceeds and the timing of the payment of such proceeds, and evidence of the source and amount of any bridge financing that will be procured on an interim basis, and the terms under which the bridge financing is being provided.

3.4 Construction Contract

Within the time established therefor in the Schedule of Performance, Developer and a construction contractor (the "Contractor") acceptable to the Executive Director shall enter into a binding and enforceable contract whereby Contractor agrees to serve as general contractor for the construction of the Improvements. AMCAL General Contractors, Inc. is hereby deemed acceptable to the Executive Director. The construction contract shall obligate the Contractor to construct the Improvements on the Site for a fixed price (subject to adjustment pursuant to the construction contract) that is within the amount of available financing as shown by the evidence of financing provided pursuant to Section 3.3. The construction contract shall provide for completion of the Improvements on a schedule consistent with the Schedule of Performance.

3.5 Community Outreach

Developer shall establish a community outreach program, providing a continuing dialogue with the Rancho Palos Verdes Council of Homeowner Associations, Ridgecrest Rancho Homeowner Association, Mesa Palos Verdes Homeowner Association, Villa Verde Homeowners Association, the Peninsula Seniors and other interested parties regarding issues relating to the Development, including but not limited to design and parking issues. Such community outreach may include community meetings, workshops, and similar activities. The community outreach program shall continue throughout the construction of the Improvements, with more intensive efforts during the period prior to the Close of Escrow and commencement of construction.

ARTICLE 4 DISPOSITION OF THE SITE

4.1 Conveyance of the Site

Agency agrees that it shall convey the Site to Developer, and Developer agrees to purchase the Site from Agency, on or before the Closing Date, in accordance with, and subject to, all the terms, covenants and conditions of this Agreement.

Agency shall convey the Site to Developer by Grant Deed in the form attached hereto as Attachment No. 4 and incorporated herein by this reference, and Developer agrees to accept such conveyance. Subject to the terms and conditions of this Agreement, Agency and Developer shall perform all acts reasonably necessary for possession and title to the Site to be conveyed in accordance with this Agreement.

4.2 Purchase Price

In consideration of the affordable housing to be provided by Developer in the Development, the purchase price for the Site shall be the sum of Two Million Nine Hundred and Ninety Thousand Dollars (\$2,990,000, the "Purchase Price").

4.3 Conditions Precedent to Conveyance

4.3.1 Agency Conditions Precedent

The obligation of Agency to convey the Site to Developer is subject to the following conditions precedent:

- (a) Developer shall have timely performed those obligations that Developer is required by the terms of this Agreement to be performed by Developer prior to the conveyance of the Site;
- (b) Developer shall have received an allocation of Tax Credits from the TCAC;
- (c) Developer shall have submitted and the Executive Director shall have approved the proof of insurance required by Section 5.11;
- (d) Developer shall have delivered to Agency the evidence of financing pursuant to Sections 3.3, and the Executive Director shall have approved the evidence of financing and determined that the Development can be completed;
- (e) Developer shall have delivered to Agency, and the Executive Director shall have approved, the construction contract pursuant to Section 3.4;
- (f) Developer shall have executed and acknowledged, and delivered into Escrow, the acceptance of Grant Deed and the Agency Regulatory Agreement;
- (g) Developer has obtained Final Approval of all Entitlements;
- (h) The Title Company has committed to issue to Agency the Agency Title Policy, in accordance with Section 4.5.1;

(i) Developer shall have delivered into Escrow the executed Agency Note, and executed and acknowledged Agency Trust Deed;

(j) Developer shall have submitted and the Executive Director shall have approved the Management Plan as required by Section 6.3;

(k) Developer shall have delivered to Agency a construction budget, current as of the date of disbursement, and the evidence of financing required by Section 3.3, demonstrating to the satisfaction of the Executive Director that (i) the Development is financially feasible, and (ii) the availability of sufficient funds to construct the Improvements;

(l) All representations and warranties made by Developer to Agency in this Agreement shall be true and correct as of the Close of Escrow; and

(m) Developer shall not be in default of this Agreement.

4.3.2 Developer Conditions Precedent

The obligation of Developer to accept title to the Site is subject to the following conditions precedent:

(a) Agency shall have timely performed all of the obligations required by the terms of this Agreement to be performed by Agency prior to the conveyance of the Site;

(b) Developer shall have received an allocation of Tax Credits from the TCAC;

(c) Developer has obtained Final Approval of all Entitlements;

(d) The Title Company has committed to issue the Developer Title Policy in accordance with Section 4.5.1;

(e) All representations and warranties made by Agency to Developer in this Agreement shall be true and correct as of the Close of Escrow; and

(f) Agency shall not be in default of this Agreement.

4.4 Condition of Title

4.4.1 Title Documents

Upon the opening of Escrow, the Escrow Agent shall order from Title Company a preliminary title report (the "Preliminary Title Report") for the Site. The Title Company shall also provide two legible copies of each instrument identified as exceptions on the Preliminary Title Report. The Preliminary Title Report and the copies of the instruments noted as exceptions therein, are referred to herein as the "Title Documents." Escrow Agent shall cause the Title Company to deliver the Title Documents to Developer and Agency within ten (10) days after the opening of Escrow.

4.4.2 Condition of Title

(a) It shall be a condition to the Close of Escrow and a covenant of Agency that Agency shall convey to Developer fee simple title to the Site, free and clear of all recorded

or unrecorded liens, Encumbrances, covenants, conditions, restrictions, assessments, easements, leases and taxes, subject only to the following title exceptions ("Approved Title Exceptions"):

- (i) A lien to secure payment of real estate taxes, not delinquent;
- (ii) The lien of supplemental taxes assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code ("Code"), to the extent that such supplemental taxes are attributable to the transaction contemplated by this Agreement. Agency shall be responsible for, and hereby indemnifies Developer against, any supplemental taxes assessed against the Site pursuant to the Code, to the extent that such taxes relate to events (including, without limitation, any changes in ownership and/or new construction) occurring prior to the Close of Escrow;
- (iii) Non-monetary matters affecting the title created by or with the written consent of Developer;
- (iv) The applicable zoning, building and development regulations affecting the Site;
- (v) The Grant Deed;
- (vi) The Agency Regulatory Agreement;
- (vii) Any Permitted Encumbrance; and
- (viii) Any non-monetary exceptions disclosed by the Title Documents that are approved by Developer in accordance with the provisions of this Section 4.4.2.

(b) Developer shall have twenty (20) days from receipt of all of the Title Documents to give Agency and Escrow Agent written notice ("Developer's Title Notice") of Developer's disapproval or conditional approval of the legal description or any matters shown in the Title Documents. The failure to timely deliver Developer's Title Notice shall constitute both a waiver of Developer's right to object and an irrevocable determination that Developer has approved the Title Documents (as to the Site) in all respects, including but not limited to any exceptions contained in the Title Documents and not listed above.

(c) If Developer disapproves or conditionally approves the legal description and/or any non-monetary matters of title shown in the Title Documents, Agency may, within thirty (30) days after its receipt of Developer's Title Notice, elect to eliminate or ameliorate to Developer's satisfaction the disapproved or conditionally approved title matters. Agency shall give Developer written notice ("Agency's Title Notice") of those disapproved or conditionally approved title matters, if any, which Agency covenants and agrees to either eliminate from the Title Policy as exceptions to title, or to ameliorate to Developer's satisfaction by the Closing Date.

(d) If Agency does not elect to eliminate or ameliorate to Developer's satisfaction any disapproved or conditionally approved title matters, or if, despite its reasonable efforts, Agency is unable to eliminate or ameliorate to Developer's satisfaction all such disapproved matters prior to the Closing Date, then Developer shall have the right, by a writing delivered to Agency and Escrow Agent within ten (10) days receipt of Agency's Title Notice, to: (1) waive its prior disapproval, in which event the disapproved matters shall be deemed

approved; or (2) terminate this Agreement and the Escrow created pursuant hereto (such termination does not require compliance with the notice and cure provisions of Section 8.1).

4.5 Title Insurance

4.5.1 As a condition to the Close of Escrow, Agency shall cause the Title Company to issue and deliver:

(a) to Developer, a CLTA standard coverage policy of title insurance (or at Developer's option, an ALTA policy) in the amount of the Purchase Price insuring that title to the Site is vested in Developer in the condition required by Section 4.5.2 of this Agreement (each, a "Developer Title Policy"); and

(b) to Agency, a CLTA Lender's policy of title insurance in the amount of the Agency Loan, insuring the priority of the Agency Trust Deed and the Agency Regulatory Agreement in the order required by Section 4.7.5 ("Agency Title Policy").

4.5.2 Agency shall pay the title insurance premium for the Developer Title Policy attributable to a CLTA standard form; Developer shall be solely responsible to pay any additional costs associated with an ALTA title policy, including the costs of survey, and for all additional or other premiums for extended coverage or other special endorsements. Agency shall pay the title insurance premium for the Agency Title Policy.

4.6 Condition of Site

4.6.1 Inspection and Survey

Representatives of Developer shall have the right of access to and entry at all reasonable times, for the purpose of inspecting the condition of the Site and obtaining data and making surveys and tests necessary to carry out this Agreement.

Entry of Developer onto the Site pursuant to this subsection shall be subject to the provisions of Sections 5.10 and 5.11 (Insurance and Indemnification), and to the provisions of a standard Agency access permit, on a form to be supplied by Agency.

Developer shall defend, indemnify and hold Agency and the City harmless from any costs, claims, damages or liabilities pertaining to or arising from the performance of any such tests and inspections by Developer or any such activities of Developer on the Site. In the event Developer fails to accept title to the Site, Developer shall immediately repair all damage to the Site caused by entry of Developer onto the Site and tests performed thereon by Developer.

4.6.2 Physical Condition of the Site; Access Rights Prior to Conveyance

(a) Agency shall convey the Site to Developer and Developer shall accept title to the Site from Agency, in an "AS-IS/WHERE-IS" physical condition, with no warranty, express or implied, by Agency as to the condition of the soil, its geology, the presence of known or unknown faults, its suitability for the use intended by Developer, any structural damage, any on-or off- site soils contamination, any materials, such as asbestos or lead based paint, or any similar matters.

(b) It shall be the sole responsibility and obligation of Developer to investigate and correct any adverse soil, surface or subsurface conditions, structural conditions, or Environmental Conditions, on the Site. Developer's remedial actions shall, at all times,

conform to all applicable Law and policy of every public agency with jurisdiction over such matter. In the event Developer in good faith and prior to the Close of Escrow determines that the condition of the Site is unacceptable, Developer shall notify Agency of its determination and the reasons therefor within the period set forth in the Schedule of Performance. In that event, Developer may terminate this Agreement pursuant to Section 8.4, unless Agency elects, in its sole discretion, to Remediate such conditions in a timely manner. In such event, all times for performance shall be extended for a period of time equivalent to the time necessary to achieve such Remediation. Developer's failure to notify Agency of its determination that the Site is unacceptable within the period set forth in the Schedule of Performance shall constitute a waiver of its right to terminate this Agreement pursuant to this Subsection.

4.6.3 Environmental Release- Site

Developer hereby waives and releases any claim which it may have in the future against Agency and the City, and each of their past and present officers, officials, directors, employees, attorneys, agents, advisors, consultants or representatives (collectively, the "Released Parties" or "Indemnitees"), arising from or relating to any information or documents, confidential or otherwise, provided to it by Agency or on behalf of Agency or prepared by any of the prior owners, operators, and tenants. Upon the Close of Escrow, Developer assumes all risks relative to the presence of any Hazardous Materials on, under, above or emanating from the Site and hereby further releases the Released Parties from any past, present or future Claims, responsibility or liability with respect thereto. In connection with the above releases and discharges, Developer specifically waives any benefit of the provisions of Section 1542 of the California Civil Code. Developer further agrees that the releases set forth in this Agreement shall not be subject to termination, rescission, alteration or reformation as a result of Claims discovered subsequent to the execution of this Agreement or as a result of or in connection with any subsequently discovered facts. Nothing in this Section is intended to constitute a release of any Claims Developer may have against anyone other than the Released Parties.

4.7 Disposition Escrow

Agency and Developer shall open an escrow ("Escrow") for this transaction with First American Title Company, Carolyn Marcial ("Escrow Agent"), or such other escrow company as the parties may mutually agree upon, by the time established therefor in the Schedule of Performance. This Agreement constitutes the joint basic escrow instructions of Agency and Developer for Developer's acquisition of the Site, and a duplicate original of this Agreement shall be delivered to the Escrow Agent upon the opening of the Escrow. Agency and Developer shall provide such additional or revised escrow instructions as shall be necessary for and consistent with this Agreement. In the event of any conflict between the provisions of this Agreement and the "standard form" escrow instructions of Escrow Agent, the provisions of this Agreement shall control. Escrow Agent is empowered to and shall carry out its duties as Escrow Agent under this Agreement, if it delivers to Agency within five (5) days after the opening of the Escrow its written acceptance of the provisions of this Agreement.

4.7.1 Deposits into Escrow

(a) Developer shall deposit into Escrow the following fees, charges and costs promptly after the Escrow Agent has notified Developer of the amount of such fees, charges and costs, but not earlier than five (5) days prior to the scheduled date for closing the escrow (the Parties acknowledge that such fees, charges and costs may be funded from the proceeds of the Agency Loan or other financing):

(i) One-half of escrow fees;

(ii) The portion(s) of the premium for the Developer Title Policy attributable to the extended coverage (including the costs of the ALTA survey, if any) or other special endorsements, if any;

(iii) One-half of any and all other fees, including but not limited to recording fee and notary fees, necessary to close the escrow.

(b) Agency shall deposit into Escrow the following fees, charges and costs promptly after the Escrow Agent has notified Agency of the amount of such fees, charges and costs, but not earlier than five (5) days prior to the scheduled date for closing the Escrow:

(i) One-half of escrow fees;

(ii) Ad valorem taxes, if any, upon the Site;

(iii) The portion of the premium for the Developer Title Policy attributable to the CLTA standard form;

(iv) The premium for the Agency Title Policy;

(v) Any documentary stamps or transfer tax imposed for such transfer;

(vi) One-half of any and all other fees, including but not limited to recording and notary fees, necessary to close the Escrow.

(c) Agency and Developer shall timely and properly execute, acknowledge and deliver into Escrow the Grant Deed and Agency Regulatory Agreement.

(d) Developer shall deposit the executed Agency Note and executed and acknowledged Agency Trust Deed into Escrow, prior to the scheduled date for closing the Escrow.

(e) The Escrow Agent is authorized to:

(i) Pay, and charge Developer and Agency for any fees, charges and costs payable under this subsection. Before such payments or charges are made, the Escrow Agent shall notify Agency and Developer in writing of the fees, charges and costs necessary to reconvey monetary liens in order to close the Escrow.

(ii) Disburse funds to the respective Party due the same and deliver the grant deeds and other documents to the parties entitled thereto when the conditions of this Escrow have been fulfilled by Agency and Developer.

(iii) Record any instruments delivered through this Escrow if necessary or proper to vest fee title to the Site in Developer, in accordance with the terms and provisions of this Agreement.

(f) All funds received in the Escrow shall be deposited by the Escrow Agent in a separate interest-earning account or accounts with any state or national bank doing business in the State of California and reasonably approved by Developer; interest so earned shall be payable to Developer. All disbursements shall be made by check of the Escrow Agent. All adjustments are to be made on the basis of a thirty (30) day month.

(g) If Escrow cannot be closed on or before the Closing Date because a Party has failed to perform its obligations under this Agreement, then the Party who then shall have fully performed the acts to be performed before the conveyance of title may, in writing, demand from the Escrow Agent the return of its money, papers or documents deposited with the Escrow Agent. No demand for return shall be recognized until ten (10) days after the Escrow Agent (or the demanding Party) shall have mailed copies of such demand to the other Party at the address of its principal place of business. Objections, if any, shall be raised by written notice to the Escrow Agent and to the other Party within the ten (10) day period, in which event the Escrow Agent is authorized to hold all money, papers and documents until instructed by a mutual agreement of the Parties or by a court of competent jurisdiction. If no such demands are made, the Escrow shall be closed as soon as possible.

(h) If objections are raised as set forth above, the Escrow Agent shall not be obligated to return any such money, papers or documents except upon the written instructions of Agency and Developer or until a final decision of a court of competent jurisdiction has been rendered as to the Party who is entitled to such money, papers and/or documents. If no such objections are made within the ten (10) day period, the Escrow Agent shall immediately return the demanded money, papers and documents; and the escrow cancellation fees shall be paid by the non-demanding Party.

(i) All communications from the Escrow Agent, Agency, or Developer shall be directed to the addresses and in the manner established in Section 9.1 of this Agreement for notices, demands and communications between Agency and Developer.

(j) The liability of the Escrow Agent under this Agreement is limited to performance of the obligations imposed upon it pursuant to this Agreement.

4.7.2 Conveyance of Title and Delivery of Possession

Subject to any extensions of time mutually agreed upon in writing between the Parties, the conveyance to Developer shall be completed on or before the Closing Date. The Parties agree to perform all acts necessary for conveyance of title and possession in sufficient time for title and possession to be conveyed in accordance with the foregoing provisions.

4.7.3 Close of Escrow

(a) For purposes of this Agreement, "Close of Escrow" shall be defined as the date that the Grant Deed conveying the Site to Developer and the Agency Regulatory Agreement are recorded among the land records in the Office of the Recorder for Los Angeles County. The Close of Escrow shall occur no later than the applicable Closing Date.

(b) (i) The Closing Date shall be the date that is one hundred and forty (140) days after the announcement by TCAC of the first funding round awards. As of the date of this Agreement, that announcement is scheduled for June 24, 2009.

(ii) Should Developer not be awarded Tax Credits in the first round, and timely submit its application for the second round, the Closing Date shall be the date that is one hundred and forty (140) days after the announcement by TCAC of the second funding round awards. As of the date of this Agreement, that announcement is scheduled for September 23, 2009.

(iii) Should Developer not be awarded Tax Credits in 2009, and be authorized by Section 3.1.2 to submit its application for the first round of 2010, and should

Developer timely submit its application for the first round of 2010, the Closing Date shall be the date that is one hundred and forty (140) days after the announcement by TCAC of the 2010 first funding round awards.

4.7.4 No Occupants

Agency shall convey the Site to Developer free of any possession or right of possession except the possession of parties consented to by Developer in its sole and absolute discretion.

4.7.5 Recordation

(a) Upon the Close of Escrow, the Escrow Agent shall cause the Grant Deed for the Site and the Agency Regulatory Agreement to be recorded among the land records in the Official Records of Los Angeles County. Subject to any subordination permitted by Section 5.13.2, the Agency Regulatory Agreement shall be recorded after the Grant Deed, superior to all other liens and Encumbrances.

(b) Upon the Close of Escrow, Escrow Agent shall deliver the Grant Deed to Developer, with copies to Agency. Escrow Agent shall deliver the original fully executed and acknowledged Agency Regulatory Agreement, and original fully executed Agency Note, to Agency, with copies to Developer, and provide both Agency and Developer with conformed copies of all documents recorded in connection with this Agreement.

ARTICLE 5 DEVELOPMENT OF THE SITE

5.1 Scope of Development

Developer shall improve the Site in the manner described in the Scope of Development. Upon the Close of Escrow, Developer shall promptly begin and thereafter diligently prosecute to completion the improvement of the Site as provided in the Scope of Development. Subject to Section 9.3 hereof, Developer shall begin and complete all construction and development within the times specified in the Schedule of Performance or such reasonable extension of those dates as may be granted by each Party to the other in writing.

In addition to approvals hereunder by Agency, all planning and building documents shall be submitted to, reviewed by, and approved or rejected by the appropriate departments of the City pursuant to the City's codes, resolutions, rules and regulations, within the time lines specified in the Schedule of Performance.

5.2 Developer's Submittals of Design and Construction Documents

Design drawings for the Improvements shall be prepared by Developer as set forth below and, when approved by Agency, shall constitute the Development Plans and shall implement the Scope of Development.

5.2.1 Basic Concept Drawings. Developer will prepare and submit to Agency for approval Basic Concept Drawings. The Basic Concept Drawings shall include: (i) a dimensioned site plan; (ii) grading plans; (iii) slope gradient analysis plan; (iv) surface parking plans; (v) floor plans for all buildings (first and second floor); (vi) building exterior façade elevations; (vii) site landscape plan; and (viii) a perspective drawing illustrating the intended appearance of the Development upon completion.

5.2.2 Site Plan/Grading Plan Review. Developer shall prepare and submit a complete application for Site Plan Review for the Improvements to the City's Department of Planning, Building & Code Enforcement within the time established in the Schedule of Performance, for review and written approval or disapproval by Agency within the time established in the Schedule of Performance and in accordance with the provisions hereof. The Site Plan Review application shall include, but is not limited to, the following: (i) site plan/grading plan; (ii) building elevations; (iii) building sections; (iv) parking plan; (v) landscape (including hardscape) plans; (vi) floor plans; (vii) roof plans (including location and size of all exterior mechanical equipment, if applicable); (viii) site improvement plans; (ix) architectural renderings of the buildings; (x) lighting plans; (xi) an exterior sign program; (xii) a draft Tentative Parcel Map (including preparation of new legal descriptions); and (xiii) any supplemental information requested by the Community Development Director. The Site Plan Review application plans and documents shall be a logical evolution of the previously approved Basic Concept Drawings.

5.2.3 Complete Construction Documents. Developer shall prepare and submit complete construction documents for the Improvements to the City's Department of Planning, Building & Code Enforcement within the time established therefor in the Schedule of Performance, for review and written approval or disapproval by staff within the time established therefor in the Schedule of Performance and in accordance with the provisions hereof. The complete construction documents shall represent a complete set of construction documents and shall incorporate any conditions for approval of the Site Plan Review. The complete construction documents shall conform to the construction documents for which the City will issue a building permit and/or any other permits required for the development of the Site. If any revisions or corrections to the approved complete construction documents shall be required by the City's Department of Planning, Building & Code Enforcement or any other official, agency, department or bureau of the City having jurisdiction, Developer and Agency shall cooperate in efforts to obtain a waiver of such requirements or to develop a mutually acceptable alternative. If no such alternative is developed, and if Agency's revisions are in conflict with the requirements of the corrections required by the City as above described, then Agency shall alter its revisions to conform them to the requirements of the City.

The complete construction documents shall include, but not be limited to: (i) site plans; (ii) final landscape plans, including plant materials, irrigation plan, landscape details, and hardscape; (iii) floor plans; (iv) exterior elevations; (v) graphics and signage; (vi) exterior details; (vii) material samples; (viii) final specifications; (ix) structural drawings; (x) all parking facilities improvements construction details; (xi) final right-of-way plans, including street furniture, street lighting, paving, etc.; (xii) utilities plan; (xiii) mechanical/electrical plans; (xiv) lighting plans; (xv) a construction management plan; and (xvi) a traffic mitigation plan.

5.3 Agency Approval of Design and Construction Drawings

5.3.1 The Executive Director is hereby authorized to review and approve plans, drawings and related documents described in Section 5.2, including any changes proposed to such documents or drawings. The scope of Executive Director's review and approval rights shall include, in addition to the items provided for in the Scope of Development, consideration of such items as architectural appearance, site planning considerations, building materials, colors and landscape design.

5.3.2 Developer shall submit for Agency review the plans, drawings and related documents for the development of the Site within the times established in the Schedule of Performance. Subsequent drawings shall be a logical evolution of previously approved drawings. Agency's approval shall not be unreasonably withheld and approval or disapproval

shall be delivered to Developer within the time stated in the Schedule of Performance. Any disapproval of such submission shall state in writing the reasons for disapproval and the changes that Agency requires to be made. Developer, upon receipt of disapproval, shall revise such submittals, and shall resubmit it to Agency for approval or disapproval as soon as possible after receipt of the notice of disapproval. Any plans, drawings and related documents submitted and approved by Agency shall not be subject to subsequent disapproval by Agency.

5.3.3 Upon request by Developer, Agency staff shall use reasonable efforts to consult with Developer to provide to Developer information regarding the staff's intention to recommend approval or disapproval of any plans, drawings or related documents previously submitted for approval pursuant to this Agreement.

5.3.4 If Developer desires to make any material change in the plans, drawings or related documents after their approval by Agency, Developer shall immediately submit the proposed change to Agency for its approval or disapproval. The approval or disapproval of such change by Agency shall be made in accordance with the provisions of this Section. Agency staff may approve any changes to approved drawings and plans hereunder submitted by Developer that they deem to be nonsubstantial.

5.3.5 Except as expressly provided in this Agreement, Agency and the City neither undertake nor assume nor will have any responsibility or duty to Developer, or to any third party to review, inspect, supervise, pass judgment upon or inform Developer or any third party of any matter in connection with the Development, whether regarding the quality, adequacy or suitability of the plans, any labor, service, equipment or material furnished to the Development, any person furnishing the same or otherwise. Developer and all third parties shall rely upon their own judgment regarding such matters. Any review, inspection, supervision, exercise of judgment, or information supplied to Developer or to any third party by Agency in connection with such matter is for the public purpose of carrying out redevelopment in the Project Area in accordance with this Agreement, and neither Developer (except for the purposes set forth in this Agreement), nor any third party is entitled to rely thereon.

5.4 Cost of Construction

The cost of developing the Site, together with all on- and off-site improvements set forth in the Scope of Development or otherwise required by the City Building Official, City Engineer, or Director of Planning, Building & Code Enforcement, shall be borne by Developer. The Parties hereby acknowledge and agree that any increase in costs above the amounts projected or assumed by Developer, or decreases in revenues below the amounts projected or assumed by Developer, shall be at the sole financial risk of Developer.

5.5 Prevailing Wages

The Parties and their legal counsel have reviewed the applicable Laws, and determined that payment of Prevailing Wages is not required for the completion of the Development.

5.6 City and Other Governmental Agency Permits

Before commencement of construction or development of any buildings, structures or other work of improvement upon the Site, Developer shall, at its own expense, secure or cause to be secured any and all permits which may be required by the City or any other governmental agency having jurisdiction over such construction, or development.

5.7 Zoning and Land Use Requirements; Environmental Review

5.7.1 Agency shall cooperate with Developer in all proceedings which may be necessary so that the development of the Site and the construction, use, operation, and maintenance of the improvements thereon in accordance with the provisions of this Agreement shall be in conformity with applicable zoning and General Plan requirements. Agency shall use its best efforts to expedite all necessary approvals. A mitigated negative declaration for the Development contemplated by this Agreement has been prepared and approved by Agency prior to the approval of this Agreement. In the event that additional environmental studies are required by any governmental agency or court of law, or by any lender providing financing to the Development, the costs of such studies shall be borne by Developer. To the extent that such environmental studies are the result of a requirement that an environmental impact report (EIR) be prepared in connection with the necessary approvals, Agency shall pay such costs, and the amount of that payment shall be added to the outstanding balance of the Agency Loan. The terms "mitigated negative declaration" and "environmental impact report" shall have the meanings ascribed in the California Environmental Quality Act.

5.7.2 Developer shall take all necessary steps so that the development of the Site and the construction, use, operation, and maintenance of the improvements thereon in accordance with the provisions of this Agreement shall be in conformity with applicable zoning and General Plan requirements, including the conditions of approval of any required land use entitlements, and that all applicable environmental mitigation measures and other requirements shall have been complied with.

5.7.3 If any revisions or modifications to this Agreement, including the Scope of Development, shall be required to comply with any requirement of a governmental official, Agency, department or bureau having jurisdiction over the development of the Site, Agency and Developer shall cooperate in making such reasonable changes, consistent with the public purposes of this Agreement, as may be necessary.

5.8 Agency Rights of Access During Construction

Without limiting any rights of access which Agency or the City may have irrespective of this Agreement, representatives of Agency shall have a reasonable right of access to the Site at normal construction hours during construction, including, but not limited to, inspecting the work being performed to construct the Improvements. Such representatives of Agency shall be those designated in writing by the Executive Director. Such Agency representatives shall comply with all safety rules and other rules imposed by Developer, including requirements that such representatives be escorted. Any such entry shall be made only after reasonable notice to Developer, and Agency shall defend, indemnify and hold Developer harmless from any costs, claims, damages or liabilities pertaining to or arising from any such entry by an Agency representative.

Prior to issuance of Agency's Certificate of Completion, the City and Agency, at their sole risk and expense, reserve the right to enter the Site or any part thereof at all reasonable times during ordinary business hours and with as little interference as possible for the purpose of construction, reconstruction, maintenance, repair or service of any public improvements or public facilities located on the Site. Any such entry shall be made only after reasonable notice to Developer, except in case of emergency repairs, and the City and Agency shall defend, indemnify and hold Developer harmless from any costs, claims, damages or liabilities pertaining to or arising from any such entry or the activities of the City or Agency on the Site. Any damage or injury to the Site or any improvement thereon resulting from any such entry shall be promptly repaired or restored at the City's or Agency's expense.

5.9 Local, State and Federal Laws

Developer shall carry out the construction of the improvements being developed in conformity with all applicable Laws. The Developer agrees to defend, indemnify and hold harmless the Agency in connection with any claims, losses, costs, expenses, damages or liabilities arising out of Developer's failure to comply with this Section 5.9.

5.10 Indemnification

Developer shall indemnify, defend and hold the Indemnitees harmless from and against all Claims arising from or as a result of the death of any person or any accident, injury, loss, and damage whatsoever caused to any person or to the property of any person which shall occur on or adjacent to the Site and which shall be caused by any negligence or willful misconduct of Developer, its agents, servants, employees, or contractors. Developer's obligation to indemnify the Indemnitees pursuant to this Section shall not apply to any Claims arising solely from the willful misconduct or negligence of the Indemnitees. The obligations of Developer pursuant to this Section 5.10 are not limited in any way by any insurance maintained by Developer, including but not limited to any insurance maintained pursuant to Section 5.11.

5.11 Bodily Injury, Property Damage and Worker's Compensation Insurance

5.11.1 Prior to the earlier of any entry upon the Site pursuant to Section 4.6.1 or the Close of Escrow, Developer shall obtain and maintain at no cost or expense to the Agency, with a reputable and financially responsible insurance company reasonably acceptable to the Agency, both broad form commercial general liability insurance, (insuring against claims and liability for bodily injury, death, or property damage arising from the construction, use, occupancy, condition, or operation of the Development) and automobile liability insurance. Such commercial general liability insurance and automobile insurance shall each provide protection of at least Two Million Dollars (\$2,000,000.00) per occurrence. Such insurance may be provided through a combination of primary and excess or umbrella policies. Such insurance policy(s) shall name the City and the Agency and their elected officials, council members, board members, officers, employees, consultants, independent contractors, attorneys and servants as additional insureds.

5.11.2 Before commencement of any insurable work by Developer on any portion of the Site, Developer shall obtain and maintain in force until completion of such work (i) "all risk" builder's risk insurance with a limit of at least Two Million Dollars (\$2,000,000.00), including coverage for vandalism and malicious mischief, in a form and with a company reasonably acceptable to the Agency, and (ii) workers' compensation insurance covering all persons employed by Developer in connection with work on the Development, or any portion thereof. Such builder's risk insurance shall cover improvements in place and all material and equipment at the job site furnished under contract, but shall exclude contractors', subcontractors', and construction managers' tools and equipment and property owned by contractors' and subcontractors' employees.

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

5.11.4 For each policy of insurance required above, Developer and each of Developer's general contractors shall furnish to the Agency an insurance certificate on the insurance carrier's form setting forth the general provisions of the insurance coverage (as well as

a copy of each insurance policy promptly upon receipt by Developer). The required certificate shall be furnished by Developer prior to the Close of Escrow.

5.11.5 All such policies required by this Section shall be issued by responsible insurance companies authorized to do business in California with an A.M. Best's rating of no less than A-:VIII, be primary and noncontributing, shall be nonassessable and shall contain language to the effect that (i) the policies cannot be canceled or materially changed except after thirty (30) days' written notice by the insurer to the Agency by certified mail, and (ii) the Agency shall not be liable for any premiums or assessments. All such insurance shall have deductibility limits that shall be commercially reasonable.

5.11.6 Each policy of insurance required above shall include a waiver by the insurer of all rights it may have to be subrogated to rights against Agency (or its elected officials, council members, board members, officers, employees, agents and representatives) in connection with any insured loss, and Developer hereby waives any rights it may have against such persons or entities in connection with matters covered by insurance.

5.12 Non-discrimination During Construction

Developer for itself and its successors and assigns agrees that in the construction of the improvements on the Site provided for in this Agreement:

(a) Developer will not discriminate against any employee or applicant for employment because of race, color, religion, creed, national origin, ancestry, physical handicap, medical condition, age, marital status, sex or sexual orientation. Developer will take reasonable action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, creed, national origin, ancestry, physical handicap, medical condition, age, marital status, sex or sexual orientation. Such action shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Developer agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this nondiscrimination clause.

(b) Developer will, in all solicitations or advertisements for employees placed by or on behalf of Developer, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, creed, national origin, ancestry, physical handicap, medical condition, age, marital status, sex or sexual orientation.

(c) Developer will cause the foregoing provisions to be inserted in all contracts for any work covered by this Agreement so that such provisions will be binding upon each contractor and subcontractor, provided that the foregoing provisions shall not apply to contracts or subcontracts for standard commercial supplies or raw materials.

5.13 Security Financing, Rights of Holders

5.13.1 No Encumbrances Except as Mortgages or Other Financing for Development

No Encumbrances are permitted before issuance of a Certificate of Completion for all of the Improvements, except as permitted by this Section 5.13.1 or Section 5.15. Notwithstanding anything herein to the contrary, Mortgages required for any reasonable method of financing by Developer are permitted before issuance of a Certificate of Completion

(including the granting of a security interest in Developer's rights in this Agreement), but only for the purpose of securing funds to be used for financing the construction of the Improvements on the Site and/or any take-out financing related to the development of the Site and any other expenditures necessary or appropriate to develop the Site under this Agreement, including without limitation hard and soft costs of development, real and personal property taxes, related off-site improvements, insurance premiums, closing costs, attorneys' fees, loan carrying costs and costs of financing. Developer shall promptly notify Agency of any Mortgage or Encumbrance that has been created or attached to the Site, the Development, or this Agreement prior to issuance of a Certificate of Completion for the construction of the Improvements on the Site or portion of the Site to be subject to such financing arrangement, whether by voluntary action of Developer or otherwise.

5.13.2 Subordination

(a) Notwithstanding Section 5.13.1, or any other provision of this Agreement, Developer acknowledges that, in view of the importance to Agency of the obligation to provide affordable housing, and the financial assistance being provided by Agency, Agency has informed Developer that, except as set forth in this Section 5.13.2, it will not agree to subordinate the covenants in the Grant Deed, or the Agency Regulatory Agreement, to a Mortgage or lien.

(b) Agency agrees to subordinate the Agency Regulatory Agreement and Right of Reverter to a Mortgage securing construction financing for the Improvements, if the construction lender grants to Agency reasonable rights of notice and cure of any Developer default under that Mortgage.

(c) Agency agrees to subordinate the Agency Trust Deed to a Mortgage securing construction or permanent financing, if the Holder grants to Agency reasonable rights of notice and cure of any Developer default under that Mortgage.

(d) Agency agrees to subordinate the Agency Regulatory Agreement to a regulatory agreement required by TCAC.

5.13.3 Holder Not Obligated to Construct Improvements

A Holder shall in no way be obligated by the provisions of this Agreement to construct or complete the Improvements or to guarantee such construction or completion. Nothing in this Agreement shall be deemed or construed to permit or authorize any Holder to devote the Site to any uses, or to construct any improvements thereon, other than those uses or Improvements provided for or authorized by this Agreement.

5.13.4 Notice of Default to Mortgage Holders; Right to Cure

If Developer shall Mortgage the Site and/or Improvements, or any part or parts thereof, Agency agrees that so long as any such Mortgage(s) shall remain unsatisfied of record or until written notice of satisfaction is given by the Holder(s) to Agency, whenever Agency shall deliver any notice or demand to Developer regarding any breach or default by Developer in completion of construction of the Improvements, or any other alleged default, Agency shall at the same time deliver to each Holder of record authorized by this Agreement a copy of such notice or demand, if: (i) the Holder(s) of such Mortgage(s) shall have delivered to Agency a true copy thereof, together with written notice specifying the name and address of the Holder(s) and the pertinent recording data with respect to such Mortgage(s), and (ii) such Mortgage(s)

delivered by such Holder(s) contain(s) provisions permitting Agency's right to cure in accordance with Section 5.13.6 hereof.

Each such Holder shall (insofar as the rights of Agency are concerned) have the right at its option, within ninety (90) days after the expiration of any and all cure periods available to Developer, to cure or remedy such default and to add the cost thereof to the security interest debt and to the lien on its security interest or the obligations of Developer under any sale lease-back or of the grantor under any other conveyance for financing. If such default shall be a default which can only be remedied or cured by such Holder upon obtaining possession of the Site and such Holder seeks to obtain possession with diligence through a receiver or otherwise, such Holder shall have until ninety (90) days after obtaining possession to cure such default. Notwithstanding anything to the contrary contained herein, in the case of a default which cannot with diligence be remedied or cured, or the remedy or cure of which cannot be commenced, within ninety (90) days, such Holder shall have such additional time as reasonably necessary to remedy or cure such default with diligence; provided, further, such Holder shall not be required to remedy or cure any non-curable default of Developer.

Nothing contained in this Agreement shall be deemed to permit or authorize such Holder to undertake the construction of the Improvements (beyond the extent necessary to conserve or protect the Improvements or construction already made, including, without limitation, the ability to continue the construction or completion of Improvements already begun) without first having expressly assumed the obligations of Developer for the portion of the Site in which the Holder has an interest, by written agreement reasonably satisfactory to Agency and the Holder. The Holder in that event shall only be liable or bound by Developer's obligations hereunder for such period as the Holder was in possession of the portion of the Site in which the Holder has an interest and, notwithstanding anything to the contrary contained in this Agreement, shall only be liable to the extent of its interest in the portion of the Site and the improvements owned by it thereon. The Holder in that event must agree to complete, in the manner provided in this Agreement, the improvements to which the lien or title of such Holder relates. Any such Holder properly completing such improvements shall be entitled, upon written request made to Agency, to a Certificate of Completion from Agency for such improvements.

Breach of any of the covenants, conditions, restrictions, or reservations contained in this Agreement shall not defeat or render invalid the lien of any Mortgage made in good faith and for value as to the Site or any portion of the Site or interest therein, whether or not the Mortgage is subordinated to this Agreement. Unless otherwise herein provided, the terms, conditions, covenants, restrictions and reservations of this Agreement shall be binding and effective against the Holder and any owner of the Site, or any portion of the Site, whose title thereto is acquired by foreclosure, trustee's sale, or otherwise.

No purported rule, regulation, modification, amendment and/or termination of this Agreement affecting the rights of a Holder shall be binding upon any Holder holding a Mortgage from and after the date of recordation of such Mortgage unless and until the written consent of such Holder is obtained.

5.13.5 Failure of Holder to Complete Improvements

If in any case, within sixty (60) days after all cure periods have expired after default by Developer in completion of construction of the Improvements on the Site under this Agreement, and the notice required by Section 8.1 was properly given, and a Holder has not exercised the option afforded in Section 5.13.4 hereof to construct the Improvements, Agency may, upon thirty (30) days' written notice: (i) purchase the Mortgage by payment to the Holder of the amount of the unpaid debt plus accrued but unpaid interest, prepayment fees and expenses

and advances and amounts secured by the security interest, or in the case of a lessor or grantee by payment to such lessor or grantee of the purchase price paid for its interest in the Site and the Improvements and any unpaid rent and other charges and sums payable to it under its applicable agreements with its lessee or grantor; or (ii) assume such Mortgage in accordance with the terms of such Mortgage upon the prior written consent of such Holder, and/or (iii) terminate this Agreement by notice to Developer.

5.13.6 Right of Agency to Cure Mortgage Default

In the event an uncured default or breach by Developer of a Mortgage for financing for the Site or the Development prior to the issuance of the Certificate of Completion (unless Developer is contesting such default in good faith), and the Holder has not exercised its option to complete the Development, Agency may, pursuant to the terms of this Agreement, cure the default no sooner than the expiration of any cure period. In such event, Agency shall be entitled to reimbursement by Developer of all direct and actual costs and expenses incurred by Agency in curing the default which reimbursement shall be a nonrecourse obligation of Developer. Such reimbursement amount may be secured at Agency's option by a lien against the Site. Any such lien shall be subordinate and subject to existing mortgages, deeds of trust or other security instruments and grantees under other conveyances for financing permitted pursuant to this Agreement.

5.14 Progress Reports

Periodically throughout the term of this Agreement until the issuance of a Certificate of Completion for the Improvements, but not less frequently than quarterly, Developer shall submit to Agency progress reports indicating the status of construction, the estimated date of completion of the Improvements, and the estimated opening date.

5.15 Preliminary Notices; Stop Notices.

5.15.1 Developer agrees that copies of all preliminary notices delivered pursuant to Section 3097 of the California Civil Code (a) to Developer or (b) to the Site, addressed to Developer, Agency, "City of Rancho Palos Verdes," "Lender," or "Construction Lender," shall be promptly delivered to Agency. Developer further agrees that Agency shall have the right at all times to enter upon the Property and post such notices and other written or printed material thereon as it may deem necessary or desirable for its protection.

5.15.2 In the event of the filing with Agency of a bonded stop notice or the recording of a mechanic's lien pursuant to Title 15, Part 4, Division 3 of the Civil Code of the State of California relating to works of improvement upon real property, Agency may summarily refuse to honor any orders for payment pursuant to this Agreement (and may instruct the Construction Escrow Holder to refuse to honor any requests for payment) until such notice or lien is released (by bond or otherwise), or a payment bond recorded, or Title Company issues an endorsement to the Agency Title Policy, in a form acceptable to the Agency General Counsel, insuring the priority of Agency's Trust Deed and Regulatory Agreement against any such notice or lien. In the event Developer fails to furnish Agency with a bond causing such notice or lien to be released, or with the endorsement referenced in the preceding sentence, within forty-five (45) calendar days of Developer's or Agency's receipt of the notice or lien, such failure shall, at the option of Agency, constitute a default.

5.16 Certificate of Completion

Promptly after completion of construction of the Improvements on the Site, Agency shall furnish Developer with a Certificate of Completion upon written request by Developer. The Certificate of Completion shall constitute a conclusive determination of satisfactory completion of the construction required by this Agreement. Agency shall not unreasonably withhold any such Certificate of Completion. The Certificate of Completion shall be in such form as to permit it to be recorded in the Registrar-Recorder's Office of Los Angeles County. The Executive Director shall be authorized to approve and issue the Certificate of Completion.

If Agency refuses or fails to furnish a Certificate of Completion within ten (10) days after written request therefor from Developer, Agency shall, within such period of ten (10) days, provide Developer with a detailed written statement of the reasons why Agency refuses or fails to furnish such Certificate of Completion and the specific actions that Developer must take to obtain such Certificate of Completion.

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

ARTICLE 6 USES OF THE SITE

6.1 Uses

Developer shall develop on the Site a residential apartment community of thirty-three (33) units for Senior Households that are Persons and Families of Low or Moderate Income, and one (1) manager unit, with related parking and common areas, all as more specifically described in the Scope of Development. Developer covenants and agrees for itself and its successors and assigns, and every successor in interest to the Site, or any portion thereof, that during construction and thereafter, Developer and such successors and assigns shall use the Site exclusively for the purposes herein stated and shall not devote the Site to any uses which are inconsistent with this Agreement and applicable Agency land use entitlements.

6.2 Affordable Housing

6.2.1 During the first fifty-five years after issuance of a Certificate of Completion for all of the residential units, Developer shall ensure that thirty-three (33) of the dwelling units to be constructed on the Site (the "Restricted Units") are rented exclusively to Persons and Families of Low or Moderate Income at Affordable Rents, as follows:

(a) Seven (7) of the Restricted Units shall be rented exclusively to Extremely Low Income Senior Households, at the applicable Affordable Rent; and

(b) Nine (9) of the Restricted Units shall be rented exclusively to Very Low Income Senior Households, at the applicable Affordable Rent; and

(c) Nine (9) of the Restricted Units shall be rented exclusively to Lower Income Senior Households, at the applicable Affordable Rent; and

(d) Eight (8) of the Restricted Units shall be rented exclusively to Senior Households that are Persons and Families of Low or Moderate Income, at the applicable Affordable Rent; and

6.2.2 The unrestricted dwelling unit shall be occupied exclusively by the resident manager.

6.2.3 Subject to the requirements of regulations governing the financing identified in the Financing Plan, once a household has been determined to be eligible for a Restricted Unit, it may remain in occupancy thereof so long as its household income does not exceed one hundred forty percent (140%) of the current maximum allowable income for the applicable income category.

6.2.4 Developer shall submit an annual report (the "Annual Report") to Agency, which contains the information specified in California Health and Safety Code Section 33418. The Annual Report shall include for each rental unit the rental rate and the income and family size of the occupants. The income information shall be supplied by the tenant in a certified statement on a form provided by Agency. Developer shall submit the Annual Report on or before the first April 15 that is at least twelve (12) months after the date of the Certificate of Completion, and each April 15 thereafter, for the period ending on December 31 of the previous year.

6.3 Management Plan

6.3.1 Not later than the time specified therefor in the Schedule of Performance, Developer shall submit to the Executive Director a Management Plan for the Development in a form reasonably acceptable to the Executive Director. The Management Plan shall remain in effect for the term of the Agency Regulatory Agreement, unless modified with the approval of the Executive Director. As part of the Management Plan, Developer shall submit the name and qualifications of the management agent.

6.3.2 The Management Plan shall include, but is not limited to, the following components:

(a) Management Agent: Developer shall submit the name and qualifications of the proposed management agent. Agency shall reasonably approve or disapprove the proposed management agent in writing based on his/her experience and qualifications in managing rental housing affordable to Very Low and Lower Income Senior Households. Unless the proposed agent is disapproved by the Agency within ten (10) business days following receipt of all information reasonably requested regarding such agent, the agent shall be deemed approved.

(b) Marketing: In a form reasonably satisfactory to Agency, Developer shall submit a plan for attracting tenants to the Development ("Marketing Plan"). Developer shall be responsible for implementing the approved plan at initial marketing of the Development. Within the limitations of applicable Laws, the Marketing Plan shall target advertising and marketing efforts first toward Rancho Palos Verdes residents, second, to those employed in the City of Rancho Palos Verdes, and third, to all other persons. The Marketing Plan shall include the projected initial rents for each dwelling unit-type in the Development. Developer shall consult with the Peninsula Seniors, and other community groups as appropriate, with respect to marketing activities.

(c) Management Program: In a form reasonably satisfactory to Agency, Developer or its management agent shall describe the proposed management, maintenance, tenant selection and occupancy policies and procedures for the Development. Such policies and procedures must be consistent with the terms of this Agreement.

(d) Management Agreement: Developer shall submit a copy of the proposed management agreement specifying the amount of the management fee and relationship and division of responsibilities between Developer and the management agent.

(e) Lease Agreement: Developer shall submit a copy of the proposed lease or rental agreement to be used in the Development.

(f) Parking Management Plan: Developer shall submit a plan for management of parking for the Site. As appropriate, provisions of the parking management plan shall be included in the proposed lease or rental agreement.

(g) Social Services Plan: Developer shall submit a plan for social services for the residents of the Restricted Units, generally consistent with the services described in that certain "Social Service Plan" dated March, 2006, published by Life Skills Training and Educational Programs, Inc. ("LifeSTEPS"). Developer shall, diligently and in good faith, cooperate with City staff and PVTransit to arrange for PVTransit to provide a shuttle (van) service from the Site to shops and other attractions in the surrounding area, and shall integrate that service with the social services described in the social services plan.

6.3.3 If at any time during the term of the Agency Regulatory Agreement the Executive Director reasonably determines that the Development is not being managed or maintained in a manner consistent with well-managed senior housing developments, Agency may send written notice thereof to Developer, describing the manner in which management of the Development is not being satisfactorily maintained. If Developer fails to cure the failure within the cure periods set forth in Section 8.1, Agency may require Developer to change management practices or to terminate the management contract and retain a different management agent, approved by Agency. The management agreement shall include a provision that it shall be subject to termination by Developer without penalty, upon not less than thirty (30) days prior written notice, if Agency shall request Developer (i) to exercise such right of termination, and (ii) to make immediate arrangements satisfactory to Agency for continuing management of the Development. Developer may terminate the management agreement with or without cause and change the management agent at any time, with the prior written approval of the Executive Director. Such approval or denial shall be provided within ten (10) business days of receipt of Developer's written request and shall be based on the proposed management agent's experience and qualifications in managing rental housing affordable to Very Low and Lower Income Senior Households.

6.4 Maintenance of the Site

Developer covenants and agrees for itself and its successors and assigns, and every successor in interest to the Site, or any portion thereof, that from and after Developer's acquisition of title, Developer and its successors and assigns shall: (a) maintain the Improvements on the Site and shall keep the Site free from any accumulation of debris or waste materials prior to and after construction; and (b) maintain the Site and the Improvements thereon in the same aesthetic and sound condition (or better) as to the condition of the Site at the time the City issues a Certificate of Completion, reasonable wear and tear excepted.

The parties acknowledge that over the period of time during which these covenants will be effective, various Improvements are likely to become obsolete and will need to be demolished, removed, disposed of and/or replaced, and agree that the standard of "reasonable" wear and tear includes and incorporates this understanding. Subject to the foregoing, this standard for the quality of maintenance shall be met whether or not a specific item of maintenance is listed below. Representative items of maintenance shall include, but not be limited to:

(a) frequent and regular inspection for graffiti, and immediate removal of graffiti and repainting of all surfaces, as necessary;

(b) frequent and regular inspection for damage or deterioration or failure, and repainting or repair or replacement of all surfaces, fencing, walls, equipment, etc., as necessary, in compliance with City's Municipal Code;

(c) emptying of trash receptacles and removal of litter;

(d) sweeping of public sidewalks adjacent to the Site, on-site walks and paved areas and washing-down (subject to water conservation requirements) as necessary to maintain clean surfaces;

(e) maintain the driveways and walkways, keeping them smooth, free of undue cracks or potholes;

(f) maintenance of all landscaping in a healthy and attractive condition with an ongoing maintenance schedule, including irrigating, trimming, fertilizing and replacing vegetation as necessary;

(g) cleaning club house windows on a regular basis;

(h) painting the Improvements on a regular program and prior to the deterioration of the painted surfaces;

(i) maintaining security devices in good working order;

(j) maintaining all lights and fixtures in good working order.

Private patio areas and balconies shall be maintained and not be used for storage except within dedicated storage closets. The storage of non-working vehicles or vehicles under repair is not permitted. Residents shall park only in designated spaces and not in driveways or in guest parking spaces.

6.5 Limitation on Alterations

After issuance of the Certificate of Completion and except for Permitted Alterations (as hereinafter defined), Developer shall not make or suffer to be made any alterations, additions, or improvements to or on the Site or any building or structure thereon or any part thereof without the prior written consent of Agency, which consent will not be unreasonably withheld, conditioned or delayed. Any request for consent shall be accompanied by plans and specifications for the proposed work in reasonable detail (including component materials and finish items) to enable Agency to consider whether or not to grant approval. Agency may condition its approval in any way reasonably deemed necessary by Agency to protect its interest in the Site. The term "Permitted Alterations" shall mean (and Developer shall

not be required to obtain the consent of Agency for unless otherwise required by the Municipal Code) the following, to the extent they comply with all applicable Agency procedures and requirements: (i) any alterations, additions, improvements, exterior painting or landscaping (which alterations, additions, improvements, exterior painting or landscaping undertaken during a twelve (12) month period cost less than fifteen percent (15%) of the value of the Site and Improvements after issuance of the Certificate of Completion); and (ii) any tenant improvements within the residential units.

All alterations, additions, or improvements by Developer shall be made without cost or expense to Agency, by responsible and licensed contractors. All improvements and equipment shall be designed, built, and installed in accordance with all applicable building codes and regulations, and Developer shall obtain all necessary building permits.

Notwithstanding any provision of this Section, prior to the recordation of the Certificate of Completion, construction or rehabilitation of the Improvements shall be governed by the applicable provisions of this Agreement.

6.6 Obligation to Refrain from Discrimination; Form of Non-Discrimination Clauses

6.6.1 **Obligation to Refrain from Discrimination.** By acceptance hereof, Developer covenants, for itself and 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 any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, or on account of sexual orientation and/or gender identity, medical condition, political affiliation or opinion, or pregnancy or pregnancy-related condition, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site or any portion thereof, nor shall Developer, or any person claiming under or through Developer, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph.

6.6.2 **Form of Nondiscrimination and Nonsegregation Clauses.** Developer shall refrain from restricting the rental, sale, or lease of any portion of the Site, or contracts relating to the Site, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California

Government Code, or on account of sexual orientation and/or gender identity, medical condition, political affiliation or opinion, or pregnancy or pregnancy-related condition, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed, nor shall the grantee himself or herself, or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph."

(b) In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, or on account of sexual orientation and/or gender identity, medical condition, political affiliation or opinion, or pregnancy or pregnancy-related condition, in the leasing, subleasing, transferring, use or occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph."

(c) In contracts for the sale, lease, sublease or other transfer of the Site or any portion thereof: "The contracting party or parties hereby covenant by and for himself or herself and their respective successors and assigns, that there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, or on account of sexual orientation and/or gender identity, medical condition, political affiliation or opinion, or pregnancy or pregnancy-related condition, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the contracting party or parties, any subcontracting party or parties, or their respective assigns or transferees, establish or permit any such practice or practices of discrimination or segregation.

Notwithstanding the immediately preceding paragraph, with respect to familial status, said paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the California Government Code. With respect to familial status, nothing in said paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the California Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the California Civil Code and subdivisions (n), (o) and (p) of Section 12955 of the California Government Code shall apply to said paragraph."

6.6.3 All covenants contained in this Section 6.6 shall run with the land for the benefit of, and shall only be enforceable by, Agency or the City (as a third party beneficiary) and their respective successors and assigns, without regard to whether Agency is or remains an owner of any land or interest therein to which such covenants relate. In the event of a breach of any covenant contained in this Section 6.6, Agency shall have the right to exercise any right or remedy available at law or in equity, to enforce the curing of such breach.

6.7 Effect and Duration of Covenants

The covenants established in this Agreement shall be included in the Agency Regulatory Agreement and shall, without regard to technical classification or designation, be binding on Developer and any successor in interest to the Site or any part thereof for the benefit and in favor of Agency, its successors and assigns, and the City. Except as otherwise set forth in this Agreement, the covenants contained in this Agreement shall remain in effect for a term of fifty-five (55) years after issuance of the Certificate of Completion. The covenants against discrimination (as described in Section 6.6) shall remain in perpetuity.

ARTICLE 7 AGENCY FINANCIAL ASSISTANCE

7.1 Financing Plan

Agency and Developer anticipate that the Development will be financed through a combination of sources, as set forth in the Financing Plan (Attachment No. 8). In order to implement the Financing Plan, Agency agrees to provide the financial assistance described in this Article 7.

7.2 Agency Financial Assistance

7.2.1 In accordance with and subject to the terms and conditions of this Agreement, the Agency agrees to lend to Developer, and Developer agrees to borrow from the Agency, loan funds in an amount not to exceed the sum of Six Million, Seven Hundred and Ninety Thousand Dollars (\$ 6,790,000; the "Agency Loan").

7.2.2 The Agency Loan shall be evidenced by the Agency Note, and secured by the Agency Trust Deed. The Agency Loan shall be repaid from Net Available Cash Flow, in accordance with Section 7.5. The outstanding balance of the Agency Loan shall accrue interest at the rate of three percent (3%) per annum, simple interest, on the amount disbursed from the date of disbursement. The Agency Loan shall consist of three components or portions as follows:

(a) Predevelopment Portion. The Predevelopment Portion of the Agency Loan, in an amount of up to Two Hundred Thousand Dollars (\$200,000), has been disbursed by Agency directly to service providers such as architects, geologists, engineers, or to governmental entities such as the City of Rancho Palos Verdes or the County of Los Angeles to cover actual out of pocket expenses incurred with third parties, subject to the provisions of that

certain Assignment Agreement between Agency and AMCAL Multi-Housing, Inc. dated March 3, 2009.

(b) Acquisition Portion. The Acquisition Portion of the Agency Loan, in an amount equal to the Purchase Price (see Section 4.2), shall be retained by Agency at the Close of Escrow as payment of the Purchase Price.

(c) Construction Financing Portion. The balance of the Agency Loan in the amount of Three Million Six Hundred Thousand Dollars (\$3,600,000) shall be disbursed to Developer pursuant to Section 7.4 for labor, services, and materials necessary for construction of the Improvements. This portion of the Agency Loan is referred to herein as the "Construction Financing Portion". Any portion of the Predevelopment Portion that is not disbursed prior to the Close of Escrow shall be added to the Construction Financing Portion and disbursed pursuant to Section 7.4.

7.3 Conditions Precedent to Disbursement of Agency Loan

7.3.1 Conditions Precedent Generally

Agency shall not be obligated to disburse the Agency Loan proceeds unless all of the conditions precedent to the disbursement of each portion of the Agency Loan set forth below are satisfied at the time of such action. The Executive Director shall have the authority to waive any condition of disbursement set forth herein; however, any waiver must be made in writing. The decision to waive any condition of disbursement shall be in the sole discretion of the Executive Director, and the decision to waive any requirement may be conditioned upon its satisfaction at a later date and/or upon the substitution of another condition. The disbursement of any portion of the Agency Loan prior to fulfillment of one or more of the following conditions shall not be construed as a waiver of such conditions, and Agency reserves the right to require their fulfillment prior to making any subsequent disbursements.

7.3.2 Conditions Precedent to Disbursement of Acquisition Portion of Agency Loan

The Acquisition Portion shall be disbursed (retained by Agency as the Purchase Price) upon satisfaction of the conditions precedent set forth in Section 4.3 and the Close of Escrow.

7.3.3 Conditions Precedent to Disbursement of Construction Financing Portion of Agency Loan

Agency shall disburse the Construction Financing Portion of the Agency Loan in accordance with the procedures in Section 7.4 upon Developer's satisfaction of all of the following conditions precedent:

(a) Developer shall have satisfied the conditions precedent to Close of Escrow set forth in Section 4.3, and the Close of Escrow has occurred;

(b) All representations and warranties made by Developer to Agency in this Agreement shall be true and correct in all material respects; and

(c) Developer shall not be in default under this Agreement.

7.4 Disbursement of Construction Financing Portion of Agency Loan

7.4.1 Disbursement Generally

(a) Subject to the satisfaction of the conditions set forth in subsection 7.3.3, disbursement of the Construction Financing Portion of the Agency Loan shall be carried out through an escrow account ("Construction Escrow") to be established by the Parties with a title or escrow company specifically approved in writing for this transaction by Agency or the construction lender ("Construction Escrow Holder"). The Parties may execute supplemental instructions to Construction Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by Construction Escrow Holder in the performance of its duties hereunder and agreed to be paid by the Parties shall be shared equally by the Parties. Twenty-five (25) percent of the Construction Financing Portion of the Agency Loan shall be disbursed by the Construction Escrow Holder upon written authorization from the Agency Executive Director, which authorization the Executive Director shall provide upon receipt of confirmation that the initial installments of tax credit equity set forth in the Financing Plan have been applied to Project costs in an amount that shall be at least an amount that shall be the higher of (i) fifteen percent (15%) of the tax credit equity or (ii) \$825,000. Thereafter, the Construction Financing Portion of the Agency Loan shall be disbursed *pari passu* with the disbursement of the primary construction loan, in accordance with procedures to be agreed upon by Agency, Developer, the primary construction lender, and the Construction Escrow Holder.

(b) Notwithstanding paragraph (a), ten (10) percent of the Construction Financing Portion (the "Construction Financing Retention") shall be retained in the Construction Escrow until receipt by the Construction Escrow Holder of written confirmation from the Agency Executive Director that the following events have occurred:

(i) the Certificate of Completion has been issued for the Improvements; and

(ii) the funding of the permanent loan or conversion of the construction loan to permanent loan has occurred or will occur concurrently with the Agency's distribution.

Any portion of the Construction Financing Portion that has not been deposited by Agency into the Construction Escrow and, pursuant to Section 7.4.2, is evidenced by the Agency Deferred Disbursement Note, shall be counted towards the Construction Financing Retention.

7.4.2 Deferred Disbursement

(a) Agency shall have the right to deliver into the Construction Escrow a promissory note in the form attached hereto as Attachment No. 10 and incorporated herein by this reference (the "Agency Deferred Disbursement Note"), in an amount not to exceed \$500,000.00 (the "Agency Deferred Disbursement"), in lieu of depositing that amount of the Construction Financing Portion of the Agency Loan. The Agency Deferred Disbursement shall not accrue interest. Upon the close of the Construction Escrow and release of the Construction Financing Retention pursuant to Section 7.4.1(b), the Construction Escrow Holder shall deliver the Agency Deferred Disbursement Note to Developer.

(b) The Agency Deferred Disbursement shall be repaid over a term of up to five years, commencing on the date of deposit of the Construction Financing Portion of the

Agency Loan into the Construction Escrow (the "Deposit Date"). On the first September 30th that occurs after the Deposit Date, and annually thereafter, Agency shall deposit into the Construction Escrow (or pay directly to Developer, if the Construction Escrow has closed and the Agency Deferred Payment Note has been released to Developer from the Construction Escrow), at least One Hundred Thousand Dollars (\$100,000). The final payment shall not exceed the amount necessary to complete repayment of the Agency Deferred Disbursement.

(c) Agency shall make diligent good faith efforts to obtain a loan, secured by a pledge of future deposits into the Low and Moderate Income Housing Fund, in the amount of the Agency Deferred Disbursement. If Agency is successful in obtaining such a loan, on terms reasonably acceptable to the Agency, Agency shall make the full deposit of the Construction Financing Portion of the Agency Loan into the Construction Escrow, in lieu of executing the Agency Deferred Disbursement Note.

7.5 Repayment of Agency Loan

7.5.1 Repayment Generally The Agency Loan shall be repaid annually, commencing on the first May 1st at which Net Available Cash Flow is available in accordance with subsection 7.5.2, and each May 1st thereafter. The Agency Loan shall be repaid out of the Net Available Cash Flow; except as set forth in Section 7.6, Developer shall not be obligated to make any payment of principal or interest on the Agency Loan except to the extent of Net Available Cash Flow. In addition to the provisions of subsection 7.5.2, the Agency Loan shall be repaid upon the occurrence of any of the events set forth in Section 7.6.

7.5.2 Calculation of Net Available Cash Flow; Distribution

(a) "Net Available Cash Flow" shall mean the Operating Income, less the sum of (i) Debt Service, (ii) Operating Expenses, (iii) deposits made to the Operating Reserve and the Replacement Reserve, (iv) an asset management fee payable to the general partner of the Developer in an amount described in any Agreement of Limited Partnership, as amended and/or restated from time to time, of the Developer (the "Partnership Agreement"), subject to the Agency's approval, (v) a fee payable to the administrative general partner of the Developer in an amount described in the Partnership Agreement, subject to the Agency's approval (vi) a limited partner asset management fee payable to one or more of the limited partners of the Developer in an amount described in the Partnership Agreement, subject to the Agency's approval; provided however, the aggregate amount of the fees described in the foregoing subparagraphs (iv), (v), and (vi) shall not exceed the sum of Fifteen Thousand Dollars (\$15,000.00), and (vii) an annual audit fee, in an amount not to exceed an aggregate amount for each calendar year that is within custom and standard of certified public accountants practicing in Los Angeles County who prepare annual audits for comparable properties. If such calculation results in a negative number, Net Available Cash Flow shall be zero for that year.

(b) Additional Definitions.

(i) "Debt Service" shall mean the periodic payments made in connection with the permanent financing on the Project provided by a third party commercial lender upon commercially reasonable terms which is secured by a first trust deed recorded against the Project.

(ii) "Operating Expenses" shall mean actual, reasonable and customary costs, fees, and expenses directly incurred and attributable to the operation, maintenance, and management of the Development including, but not limited to, painting, cleaning, repairs and alterations; landscaping; utilities; rubbish removal; certificates, permits and

licenses; sewer charges; real and personal property taxes and assessments; insurance; securities; advertising, promotion and publicity; office, janitorial, cleaning and building supplies; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings; expenditures for capital improvements, equipment, fixtures and furnishings that are not paid from the Replacement Reserve; fees and expenses of property management and common area expenses; and other actual operating costs and capital costs which are incurred and paid by the Developer, but which are not paid from reserve accounts; and reasonable fees and expenses of accountants, attorneys, consultants and other professionals. Payments to parties related to Developer for Operating Expenses must not exceed prevailing market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation.

(iii) "Operating Income" shall mean the gross rental income from the Site, and any other income Developer derives from the ownership, operation and management of the Development, and the proceeds of insurance after a casualty loss (to the extent not used to repair or rebuild the Improvements) and the proceeds of any condemnation proceedings. "Operating Income" shall not include tenants' security deposits or interest earned on reserve accounts.

(iv) "Operating Reserve" shall mean the operating reserve account maintained in accordance with Section 10327 (c)(8)(C) of the TCAC Regulations.

(v) "Replacement Reserve" shall mean the account described in Section 7.5.3.

(c) The amount of the Net Available Cash Flow shall be determined on the basis of an annual statement, for the preceding calendar year, beginning with the first year of operation of all or any part of the Development, prepared at Developer's expense by an independent certified public accounting firm acceptable to Agency. Developer shall submit the annual statement and any payment (pursuant to paragraph (d)) to Agency not later than May 1st of each year, commencing on the first May 1st that is at least twelve months after the issuance of a certification of occupancy for all or any of the Restricted Units. Agency shall review and approve such statement, or request revisions, within thirty (30) days after receipt. In the event that as the result of Agency review, there is an increase in the amount of Net Available Cash Flow, Developer shall pay to Agency the Agency's share of the full amount of such increase within ten (10) days of notice of the increase.

(d) Annually, the Net Available Cash Flow shall be distributed as follows:

(i) to Developer, to repay the Developer Loan, subject to the limitations in paragraph (e);

(ii) fifty percent (50%) of the Net Available Cash Flow remaining after the annual payment on the Developer Loan shall be paid to Agency, to repay the Agency Loan,

(iii) fifty percent (50%) of the Net Available Cash Flow remaining after the annual payment on the Developer Loan shall be retained by Developer.

(e) "Developer Loan" shall mean the deferred payment to Developer or AMCAL Enterprises, Inc. of a portion of its Developer fee. The Developer Loan may accrue interest at the annual rate of three percent (3%) simple interest, commencing on the date that is

twelve (12) months after the date that the following events have occurred: (i) issuance of Certification of Completion for the Development and (ii) the events set forth in Section 7.4.1(b).

7.5.3 Replacement Reserve

(a) Commencing one year after the issuance of a Certificate of Completion for the Development, or within 30 days of funding of the permanent loan or conversion of the construction loan to permanent loan, whichever occurs first, Developer shall establish and thereafter maintain, in a depository acceptable to the Executive Director, a reserve fund to be known as the "Replacement Reserve." The Replacement Reserve contributions shall be set at Two Hundred and Fifty Dollars (\$250.00) per unit per year, or such greater amount as may be required by other project lenders. Developer shall be credited with Replacement Reserve deposits made by it as required by other project lenders. The Replacement Reserve shall remain in the form of cash, and shall include all income earned thereon. The Replacement Reserve shall be maintained during the period when any Agency Loan balance remains outstanding.

(b) Disbursements from the Replacement Reserve shall be for the purpose of replacing structural elements or equipment of the Development, or for any other purpose consistent with maintaining the physical or financial integrity of the Development. Annually, Developer shall submit a report, with supporting documentation, in form satisfactory to the Executive Director, of all expenditures from the Replacement Reserve. If, in the reasonable opinion of the Executive Director, any expenditure was not appropriately made from the Replacement Reserve, Developer will deposit the amount of the expenditure into the Replacement Reserve fund within ten (10) days of written notice by Agency; provided, however, if an expenditure was approved by another project lender authorized by this Agreement, it shall be deemed to be reasonable.

(c) In the event of a default by Developer under this Agreement or of a default or event of default under the Agency Note or the Agency Regulatory Agreement, or of a foreclosure by the holder of a senior Mortgage, funds in the Replacement Reserve shall be used for the continued operation of the Development.

7.6 Repayment of Agency Loan Generally

In addition to the provisions of Section 7.5, the Agency Loan shall be repaid in the event of any of the following:

(a) Subject to the rights of the Holder of any senior Mortgage, should the Development be sold or refinanced (to the extent permitted by this Agreement), including syndication (other than the syndication for purposes of the Tax Credits), prior to the time that the Agency Loan is repaid in full, the Net Proceeds of such sale or refinancing shall be paid to Agency and credited against the Agency Loan, first against any outstanding principal and then against the outstanding interest amount, if any. Any portion of the Net Proceeds that exceeds the outstanding balance of the Agency Loan (principal and interest) may be retained by Developer. For the purpose of this subsection, "Net Proceeds" is defined as proceeds of the transaction less debt repaid and reasonable costs of the transaction.

(b) The Agency Loan shall be due and payable immediately if the Development, or any portion thereof or interest therein, is sold, transferred (except for any Permitted Transfers) assigned or refinanced without the prior written approval of Agency, or if this Agreement is terminated. Notwithstanding the preceding sentence, if this Agreement is terminated prior to the Close of Escrow the Predevelopment Portion of the Agency Loan (Section 7.2.2(a)) shall be forgiven.

(c) Unless paid in full earlier, the remaining balance of the Agency Loan shall be due and payable in full fifty-five (55) years from the date of the Certificate of Completion.

ARTICLE 8 EVENTS OF DEFAULT AND RIGHTS OF TERMINATION AND OTHER REMEDIES

8.1 Defaults - General

8.1.1 Subject to any extensions of time pursuant to Section 9.3, failure or delay by either Party to perform any term or provision of this Agreement constitutes a default under this Agreement. The Party who so fails or delays must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction or remedy with reasonable diligence and during any cure period shall not be in default under this Agreement.

8.1.2 The non-defaulting Party shall give written notice of default to the Party alleged to be in default, specifying the default complained of by the non-defaulting Party. Delay in giving such notice shall not constitute a waiver of any default.

8.1.3 Neither Party may exercise any rights or remedies upon a *non-monetary* default by the other Party, unless and until such default continues for a period of thirty (30) days after written notice thereof from the non-defaulting Party unless otherwise provided in this Agreement. If the nature of the default is such that more than thirty (30) days are reasonably required for its cure, then the defaulting Party shall not be deemed to be in default if it has commenced a cure within the thirty (30) day period and thereafter diligently prosecutes such cure to completion as expeditiously as possible, but in any event within ninety (90) days after receipt of written notice thereof.

8.1.4 Neither Party may exercise any rights or remedies upon a *monetary* default by the other Party, unless and until such default continues for a period of ten (10) days after written notice thereof from the non-defaulting Party.

8.1.5 Any failures or delays by any Party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive any Party of its right to institute and maintain any actions or proceedings that it may deem necessary to protect, assert or enforce any such rights or remedies.

8.2 Rights and Remedies are Cumulative

Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by any other Party. Upon the occurrence of a default, except as to rights and remedies expressly declared to be exclusive in this Agreement, the injured Party shall have all rights and remedies against the defaulting Party as may be available at Law or in equity to cure, correct or remedy any default, to obtain specific performance, to recover damages, or to obtain any other remedy consistent with the purpose of this Agreement.

8.3 Right of Termination by Agency Prior to Close of Escrow

8.3.1 Prior to the Close of Escrow, Agency at its option, as its sole and exclusive remedy, may terminate this Agreement if (a) any of the events described in (i), (ii), or (iii) below occurs, (b) any pertinent cure period applicable thereto has expired and such default remains uncured, and (c) Agency delivers a written termination notice to Developer that this Agreement is terminated pursuant to this Section 8.3:

(i) Developer assigns or attempts to assign this Agreement or any rights therein relating to the Site except as authorized in this Agreement;

(ii) Developer fails to perform a material obligation hereunder, which failure constitutes a default under this Agreement; or

(iii) Any condition precedent to Agency's obligation to convey the Site to Developer has not been satisfied in accordance with the deadlines set forth in this Agreement.

(iv) Upon such termination by Agency in accordance with this Section, neither Agency nor Developer shall have any further rights against or liability to the other related to or arising under this Agreement, and any remaining rights of Developer and Agency arising from this Agreement shall be deemed terminated. Upon such termination, neither Developer nor Agency shall have any further rights against or liability to the other under this Agreement regarding the Site or the individual parcels comprising the same, except that the obligation of Developer to indemnify the Indemnitees pursuant to Section 5.10 shall survive and remain in effect, but only as to Claims relating to events that occur between the Effective Date and the date of termination.

(b) Upon such termination of this Agreement by Agency, Developer shall comply with Section 9.4.

(c) Upon such termination of this Agreement by Agency, all monies or documents deposited by any Party into the unclosed Escrow shall be returned to the Party making such deposit. Developer shall pay all attendant escrow cancellation costs.

8.4 Right of Termination by Developer Prior to Close of Escrow

8.4.1 Prior to the Close of Escrow, Developer at its option, as its sole and exclusive remedy, may terminate this Agreement if (a) any of the events described in (i), (ii) or (iii) below occurs, (b) any pertinent cure period applicable thereto has expired and such default remains uncured and (c) Developer delivers a written termination notice to Agency:

(i) Agency fails to perform a material obligation hereunder, which failure constitutes a default under this Agreement; or

(ii) Any condition precedent to Developer's obligation to acquire the Site from Agency has not been satisfied as and at the times provided in this Agreement; or

(iii) Developer in its sole discretion determines that it is infeasible to proceed with the development of the Site as contemplated by this Agreement.

(iv) (a) Upon such termination, neither Agency nor Developer shall have any further rights against or liability to the other related to or arising under this Agreement and any remaining rights of Agency and Developer arising from this Agreement shall be deemed terminated. Upon such termination, neither Developer nor Agency shall have any further rights against or liability to the other under this Agreement regarding the Site or the individual parcels comprising the same, except that the obligation of Developer to indemnify the Indemnitees pursuant to Section 5.10 shall survive and remain in effect, but only as to Claims relating to events that occur between the Effective Date and the date of termination.

(b) Upon such termination of this Agreement by Developer, all monies or documents deposited by any Party into the unclosed Escrow shall be returned to the Party making such deposit. Agency shall pay all escrow cancellation costs for the Escrow. Notwithstanding the foregoing, if this Agreement is terminated because Developer in its sole discretion determines that it is infeasible to proceed with the development of the Site as contemplated by this Agreement, Developer shall pay all attendant escrow cancellation costs for the Escrow, and Developer shall comply with Section 9.4.

8.5 Termination of Agreement for Cause After Close of Escrow; Agency Right of Reverter

8.5.1 After the Close of Escrow, Agency, at its option, but subject to the rights of Holders set forth in Section 5.13, may terminate this Agreement if:

(a) Either of the events described in (i) or (ii) below occurs, and any pertinent cure period applicable thereto has expired and such default remains uncured:

(i) Developer assigns or attempts to assign this Agreement or any rights therein relating to the Site except as authorized or permitted in this Agreement; or

(ii) Developer fails to perform a material obligation hereunder, which failure constitutes a default under this Agreement;

(b) Agency is not in default under this Agreement; and

(c) Agency delivers a written notice to Developer that this Agreement is terminated pursuant to this Section 8.5.

8.5.2 Upon such termination, this Agreement shall be of no further force or effect, and neither Developer nor Agency shall have any further rights against or liability to the other under this Agreement or relating to the Site, except that:

(a) the release set forth in Section 4.6.3, and the obligation of Developer to indemnify the Indemnitees pursuant to Section 5.10 shall survive and remain in effect, but only as to Claims relating to events that occur between the Effective Date and the later of (i) the date of termination or (ii) if Agency exercises the Right of Reverter set forth in Section 8.5.3, the date title to the Site is vested in Agency; and

(b) the Right of Reverter set forth in Section 8.5.3 shall survive and remain in effect.

8.5.3 (a) In addition to the right of termination set forth in Section 8.5.1, if a default occurs at any time after conveyance of the Site to Developer but before the issuance of a Certificate of Completion for the Improvements on that Site, and such default is not cured, and

subject to the rights of Holders set forth in Section 5.13, then Agency shall have the option to cause fee title to the Site to revert to Agency in accordance with the terms of this Section 8.5.3. The specific provisions regarding the Right of Reverter shall be set forth in Paragraph 9 of the Grant Deed.

(b) This Right of Reverter shall be exercised, if at all, by Agency's delivery of written notice of its election to exercise the Right of Reverter within one year after expiration of the last of the cure periods granted to Developer and any Holders. Developer shall deliver into escrow a grant deed, conveying fee title to the Site to Agency. Agency shall deliver into escrow documentation reasonably acceptable to both Parties terminating this Agreement, concurrently with delivery of title to Agency. Agency shall receive a policy of title insurance subject only to Exceptions that (i) existed at the time of Developer's acquisition of the Site, or (ii) were created with the written consent of Agency or approved in writing by Agency.

(c) This Right of Reverter shall expire upon the earlier of (i) the issuance of the Certificate of Completion for all of the Improvements to be constructed, or (ii) if unexercised, if notice of exercise of same is not delivered by Agency to Developer on or before the date that is five (5) years after the date of recordation of the Grant Deed conveying the Site to Developer (but only if no uncured Developer default is outstanding at that time). Within ten (10) days after the issuance of the Certificate of Completion for all of the Improvements or such fifth anniversary of recordation of the Grant Deed, Agency shall execute and deliver to Developer a memorandum in recordable form terminating this Right of Reverter.

8.5.4 (a) Pursuant to Section 8.1, Agency shall give Developer notice of default prior to exercising any remedies under this Section 8.5. If Developer fails to take corrective action or cure the default within the times specified in Section 8.1, Agency shall give Developer and, as provided in paragraph (b), below, the tax credit investor limited partner, notice thereof, whereupon the tax credit investor limited partner may remove and replace the general partner with a substitute general partner, who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. Agency agrees to accept cures tendered by the tax credit investor limited partner within the cure periods provided in this Agreement or within the time periods provided in Civil Code Section 2924c, whichever is longer. Additionally, in the event the tax credit investor limited partner is precluded from curing default due to an inability to remove the general partner as a result of a bankruptcy, injunction, or similar proceeding by or against Developer or its general partner, Agency agrees to forbear from terminating this Agreement or exercising the Right of Reverter during the period during which the tax credit investor limited partner is so precluded from acting, not to exceed ninety (90) days, provided such limited partner is otherwise in compliance with the foregoing provisions. In no event shall Agency be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) days after the first notice of default is given.

(b) After Developer gives written notice to Agency that the tax credit investor limited partner has been admitted to the Developer, Agency shall send to the tax credit investor limited partner a copy of all notices of default and all other notices that Agency sends to Developer, at the address for the tax credit investor limited partner as provided by written notice to Agency by Developer.

8.6 Institution of Legal Actions

In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain specific performance or any other remedy consistent with the purpose of this Agreement, except that

there shall be no right to terminate this Agreement except as set forth in Sections 8.3, 8.4, and 8.5 of this Agreement. Such legal actions must be instituted in the Superior Court of the County of Los Angeles, State of California, in any other appropriate court in that County, or in the United States District Court for the Central District of California.

8.7 Applicable Law and Attorneys' Fees

The Laws of the State of California shall govern the interpretation and enforcement of this Agreement. Should legal action be brought by either Party for breach of this Agreement to enforce any provision, the prevailing Party in such action shall be entitled to its reasonable attorneys' fees, court costs, and other litigation expenses including, without limitation, expenses incurred for preparation and discovery, and on appeal. The entitlement to recover such fees, costs and expenses shall accrue upon the commencement of the action regardless of whether the action is prosecuted to final judgment.

8.8 Acceptance of Service of Process

In the event that any legal action is commenced against Agency, service of process on Agency shall be made by personal service upon the Executive Director or Agency Secretary or in such other manner as is authorized by Law.

In the event that any legal action is commenced by Agency against Developer, service of process on Developer shall be made by personal service upon a general partner or an officer of Developer, or in such other manner as may be provided by Law, and shall be valid whether made within or without the State of California.

ARTICLE 9 GENERAL PROVISIONS

9.1 Notices, Demands and Communications Between the Parties

All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage pre-paid, return receipt requested, or by a nationally recognized courier service that provides a written receipt of delivery, or facsimile, to the addresses set forth in this Section, with a copy to designated legal counsel. The notices or other communications shall be deemed received and effective upon: (i) if personally delivered, the date of delivery to the address of the person to receive such notice; (ii) if mailed, the date of delivery or refusal to accept delivery indicated in the certified or registered mail receipt; or (iii) if given by courier service, the date of delivery evidenced by the receipt for delivery provided by the courier service; or (iv) if faxed, the date of dispatch. Any notice, request, demand, direction or other communication sent by facsimile must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

For Agency/City

Rancho Palos Verdes Redevelopment Agency
30940 Hawthorne Blvd.
Rancho Palos Verdes, CA 90274
Attention: Executive Director
Tel: (310) 544-5228
Fax: (310) 544-5293

with a copy to:

Richards, Watson & Gershon
355 South Grand Avenue, 40th Floor
Los Angeles, CA 90071
Attention: Carol W. Lynch, Agency Counsel
Tel: 213-626-8484
Fax: 213-626-0078

For Developer:

AMCAL Mirandela Fund, L.P.
c/o AMCAL Multi-Housing, Inc.
30141 Agoura Road, Suite 100
Agoura Hills, CA 91301
Tel: 818-706-0694
Fax: 818-889-9158
Attn: Arjun Nagarkatti

with a copy to:

Bocarsly, Emden, Cowan, Esmail & Arndt, LLP
633 West Fifth Street, 70th Floor
Los Angeles, CA 90071
Attn: Kyle Arndt, Esq.

with a copy to:

Tax Credit Investor Limited Partner

**[but only if notice has been provided in accordance with
Section 8.5.4(b)]**

For Escrow Agent:

Carolyn J. Marcial, CSEO
First American Title Insurance Company
National Commercial Services
777 S. Figueroa, 4th Floor
Los Angeles, CA 90017
Ph. 213 271 1728
EFax No. 818 450 0132
email cmarcial@firstam.com

Such written notices, demands, correspondence and communications may be sent in the same manner to such other persons and addresses as either Party may from time to time designate in writing as provided in this Section.

9.2 Nonliability of Agency and City Officials and Employees

No member, official or employee of Agency or the City shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by Agency or for any amount that may become due to Developer or its successors, or on any obligations under the terms of this Agreement.

9.3 Enforced Delay; Extension of Times of Performance

In addition to specific provisions of this Agreement, performance by any Party hereunder shall not be deemed to be in default, where delays or defaults are due to acts of God, or the elements, accident, casualty, unavailability or delays in delivery of any product, labor,

fuel, service or materials, failure or break-down of equipment, strikes, lockouts, or other labor disturbances, acts of the public enemy, orders or inaction of any kind from the government of the United States, the State of California, or any other governmental, military or civil authority (other than the City or Agency, to the extent that such orders or inaction affect the City's or Agency's obligations, performance or rights under this Agreement), war, acts of terrorism, insurrections, riots, epidemics, floods, earthquakes, civil disturbances, whether similar or dissimilar to those enumerated or otherwise, which are not within the control of the Party claiming such inability or disability, which such Party could not have avoided by exercising due diligence and care and regarding which such Party shall use all reasonable efforts that are practically available to it in order to correct such condition.

However, Developer shall not be entitled to any extension of time pursuant to this Section 9.3 due to any event or condition caused by Developer's inherent financial condition or financial inability to pay its monetary obligations when due (as distinguished from Developer's inability to make a payment by reason of a bank's failure or some other external cause not associated with Developer's financial condition).

Notwithstanding anything to the contrary in this Agreement, an extension of time for any such cause shall be for the period of time reasonable in light of the enforced delay. The extension of time shall commence to run from the time of the commencement of the cause, so long as the Party claiming the extension has notified the other Party in writing of the nature of the matter constituting the enforced delay within ten (10) days after the occurrence of the enforced delay.

9.4 Plans and Data

If this Agreement is terminated for any reason other than Agency's default, Developer shall deliver to Agency copies of any and all plans, drawings, engineering studies, and data concerning the Site which are in the possession of Developer, and shall assign to Agency all rights held by Developer to use such plans, studies, and data. In doing so, Developer shall not be considered to be making any representation regarding the content of such plans and data or expressly or impliedly warranting the accuracy thereof.

9.5 No Real Estate Commission

If any claim for brokers' or finders' fees for the consummation of this Agreement arises, then Developer hereby agrees to indemnify, hold harmless and defend Agency from and against such claim(s) if it (they) shall be based upon any statement or representation or agreement made by Developer, and Agency hereby agrees to indemnify, hold harmless and defend Developer if such claim(s) shall be based upon any statement, representation or agreement made by Agency.

9.6 Successors and Assigns

This Agreement shall bind and inure to the benefit of the Parties to this Agreement and their respective successors and assigns, provided, however, that this provision shall not authorize the assignment or transfer of any interest that is not authorized by the other terms of this Agreement.

9.7 Relationship of the Parties

The terms and provisions of this Agreement shall not cause the Parties hereto to be construed in any manner whatsoever as partners, joint venturers or agents of each other in the

performance of their respective duties and obligations under this Agreement, or subject either Party to this Agreement to any obligations, loss, charge or expense of the other Party unless the Party to be held responsible has independently contracted with the claimant so as to make it directly responsible for the performance and/or payment, as appropriate, of the pertinent obligation, loss, charge or expense.

9.8 Text to Control; Interpretation

9.8.1 The headings in this Agreement are included solely for convenience, and if there shall be any conflict between such headings and the text of this Agreement, the text shall control.

9.8.2 Should any provisions of this Agreement require interpretation, it is agreed that the person or persons interpreting or construing the same shall not apply a presumption that the terms of this Agreement shall be more strictly construed against one Party by reason of the rule of construction that a document is to be construed more strictly against the Party thereto who itself or through its agent or counsel prepared the same or caused the same to be prepared; it being agreed that the agents and counsel of both of the Parties hereto have participated equally in the negotiation and preparation of this Agreement.

9.9 Severability

To the best knowledge and belief of the Parties to this Agreement, this Agreement contains no provision that is contrary to any federal, state or local Law or to any regulatory requirement or other ruling or regulation of a federal, state or local agency or that would be in breach of the obligations of either or both of the Parties hereto under the terms and provision of any legally binding agreement. However, if any provision of this Agreement, or any part thereof, shall at any time be held to be invalid, in whole or in part, under any applicable federal, state or local Law by a court of competent jurisdiction, or by arbitrators or an administrative agency of the federal, state or local government with proper jurisdiction, then such provision or a portion thereof, as appropriate, shall be curtailed and limited only to the extent necessary to bring it within the requirements of the Law and the validity and enforceability of the remaining provisions of this Agreement shall remain in effect and shall in no way be affected, impaired or invalidated, unless the invalidated provision(s) shall uniquely, materially and adversely affect the rights and obligations of a Party to this Agreement.

9.10 Approvals

Approvals required of Agency or Developer shall not be unreasonably withheld, conditioned or delayed, and approval or disapproval shall be given within the time set forth in the Schedule of Performance or this Agreement, or, if no time is given, within a reasonable time. Time shall be of the essence of approvals required of either Party.

9.11 Time of the Essence

Time is of the essence of this Agreement.

9.12 Computation of Time

Unless otherwise required by a specific provision of this Agreement, time hereunder is to be computed by excluding the first day and including the last day. If the date for performance falls on a Saturday, Sunday, or California or City legal holiday, the date for performance shall be extended to the next business day.

9.13 Calendar Days

All references in this Agreement to a number of days in which either Party shall have to consent, approve or perform shall mean calendar days unless specifically stated to be business days.

9.14 Police Power

Nothing contained herein shall be deemed to limit, restrict, amend or modify, nor to constitute a waiver or release of, any Laws of the City, its departments, commissions, agencies, and boards and the officers thereof and Agency, including, without limitation, any redevelopment or general plan or any zoning ordinances, or any of the City's or Agency's duties, obligations, rights or remedies thereunder or pursuant thereto or the general powers, rights, privileges and discretion of the City or Agency in the furtherance of the public health, welfare, and safety of the inhabitants of the City of Rancho Palos Verdes, including, without limitation, the right under law to make and implement independent judgments, decisions, and acts regarding planning, development, and redevelopment matters (including, without limitation, approval or disapproval of plans and issuance or withholding of building permits) whether or not consistent with the provisions of this Agreement, or any other documents contemplated hereby (collectively, "City and Agency Rules and Powers"). In the event of any conflict, inconsistency or contradiction between any terms, conditions, or provisions of this Agreement or such other documents, on the one hand, and any such City and Agency Rules and Powers, on the other hand, the latter shall prevail and govern in each case. This Section shall be interpreted for the benefit of the City and Agency.

9.15 Estoppel Certificates

Any Party hereunder may, from time to time, request the other Party to execute and acknowledge an estoppel certificate or agreement verifying that this Agreement, including any Attachments hereto, is in full force and effect and that no default or defaults have occurred and are continuing as of the date of such certificate or agreement (nor any event which, with the passage of time and the giving of notice would result in a default or breach under this Agreement), or stating the nature of the default or breach or event, if any. In the event the estoppel certificate discloses such a default, breach or event, it shall also state the manner in which such default, breach and/or event may be cured. The Party requesting such certificate or agreement shall provide the form thereof and, provided such certificate or agreement is in form and substance commercially reasonable, the requested Party shall execute and return the same within fifteen (15) business days after receipt of the final form thereof, and the requesting Party (and, in the case of Developer, its lenders and successors-in-interest as permitted under this Agreement) shall be entitled to rely thereon.

9.16 Further Assurances

Each of the Parties hereto shall execute and deliver any and all additional papers, documents, instruments and other assurances and shall do any and all other acts and things reasonably necessary to carry out the purposes of this Agreement and the intent of the Parties.

9.17 No Merger

No provision of this Agreement shall merge with any transfer of any portion of the Site, until such time as a Certificate of Completion is recorded for all of the Improvements to be constructed on the Site pursuant to this Agreement.

Notwithstanding the foregoing sentence, or any other provision of this Agreement, the following provisions shall not merge with any transfer of any portion of the Site, and shall survive issuance of a Certificate of Completion for the Improvements:

- (a) the representations and warranties set forth in Sections 2.4 and 2.5;
- (b) the environmental release set forth in Section 4.6.3; and
- (c) the indemnification provisions set forth in Sections 4.6.1, 5.8, 5.9, and 5.10.

9.18 Waivers and Amendments

All modifications, additions or amendments to this Agreement shall be in writing and signed by the Parties hereto. Developer and Agency agree to mutually consider reasonable requests for amendments to this Agreement that may be made by lending parties or institutions, provided the requests are consistent with this Agreement and would not substantially alter the basic business terms included herein.

9.19 Entire Agreement

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the Parties regarding all or any part of the subject matter hereof. This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original. This Agreement includes fifty-four (55) pages of text and eleven (11) Attachments, each of which is incorporated herein by reference, as follows:

Attachment No. 1	Legal Description of Site
Attachment No. 2	Site Map
Attachment No. 3	Schedule of Performance
Attachment No. 4	Form of Grant Deed
Attachment No. 5	Form of Agency Regulatory Agreement
Attachment No. 6	Scope of Development
Attachment No. 7	Form of Certificate of Completion
Attachment No. 8	Financing Plan
Attachment No. 9	Form of Agency Note
Attachment No. 10	Form of Agency Trust Deed
Attachment No. 11	Form of Agency Deferred Disbursement Note

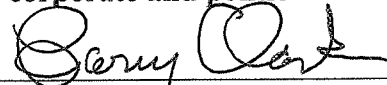
9.20 Counterparts

This Agreement may be executed in counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

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

"AGENCY"

**RANCHO PALOS VERDES
REDEVELOPMENT AGENCY, a public body,
corporate and politic**



Larry Clark, Chairperson

ATTEST:



Carla Morreale, Agency Secretary

APPROVED AS TO FORM:

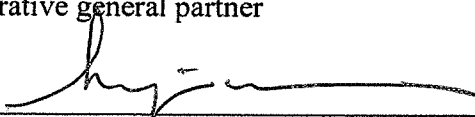
RICHARDS, WATSON & GERSHON



Carol W. Lynch, Agency Counsel

"DEVELOPER"

By: AMCAL Multi-Housing, Inc., its
administrative general partner

By: 

Name: Arjun Nagarkatti

Its: Executive Vice President

By: 

Name: David Yarden

Its: Vice President & General Counsel

By: Las Palmas Foundation, a California
Nonprofit corporation, its general partner

By: 

Name: Joseph M. Michaels

Its: President

EXHIBIT 1B

CITY COUNCIL RESOLUTION 2010-10

RESOLUTION NO. 2010-10

A RESOLUTION OF THE CITY COUNCIL OF RANCHO PALOS VERDES AUTHORIZING THE TRANSFER OF FUNDS FROM THE CITY'S IN-LIEU HOUSING FUND TO THE RANCHO PALOS VERDES REDEVELOPMENT AGENCY FOR THE PROJECT DESCRIBED IN THE DISPOSITION AND DEVELOPMENT AGREEMENT BETWEEN THE AGENCY AND AMCAL MIRANDELA FUND, L.P.

WHEREAS, on March 17, 2009 the City Council and the Rancho Palos Verdes Redevelopment Agency (the "Agency") adopted Resolution No. 2009-18, entitled "A Joint Resolution Of The Rancho Palos Verdes Redevelopment Agency And The City Council Of Rancho Palos Verdes Making Certain Findings And Approving A Disposition And Development Agreement Between The Rancho Palos Verdes Redevelopment Agency And Amcal Mirandela Fund, L.P.; and

WHEREAS, on March 20, 2009 the Agency and Amcal Mirandela Fund, L.P. ("Developer") entered into the Disposition and Development Agreement ("DDA") authorized by Resolution No. 2009-18; and

WHEREAS, pursuant to the DDA, the Agreed to convey certain property to Developer for the development thereon of a 34-unit senior affordable apartment project ("Project"), and further agreed to provide certain financial assistance to the Developer for the Project; and

WHEREAS, as identified in the reports presented to the City Council and Agency on March 17, 2009, the Agency and City Council contemplated that the financial assistance would include all available monies in the City's In-Lieu Affordable Housing Fund; and

NOW, THEREFORE, based on evidence presented to the City Council, including the written staff report, the City Council does hereby find, determine and resolve as follows:

Section 1. The above recitals are all true and correct.

Section 2. The use of monies from the City's In-Lieu Affordable Housing Fund for the Project is consistent with the purpose and intent of Chapter 17.11 of the Rancho Palos Verdes Municipal Code, in that it facilitates the development of housing affordable to low and moderate income households.

Section 3. The City Council hereby authorizes the transfer of up to one million, eight-hundred thousand dollars (the "City Funds") to the Redevelopment Agency, subject to the restriction that the City Funds may be expended by the Redevelopment Agency to fund the Agency Loan described in Article 7 of the DDA, to the extent that monies in the Agency's Affordable Housing Set-Aside

Resolution No. 2010-10
Page 2 of 2

EXHIBIT 1C

**ADVANCE AND REPAYMENT AGREEMENT
DATED NOVEMBER 4, 2010**

ADVANCE AND REPAYMENT AGREEMENT

This Advance and Repayment Agreement, dated as of November 4, 2010, is made by and between the City of Rancho Palos Verdes (the "City") and the Rancho Palos Verdes Redevelopment Agency (the "Agency"). For and in consideration of the mutual covenants and promises set forth herein, the parties agree as follows.

Section 1. Facts. This Advance and Repayment Agreement is entered into with reference to the following facts:

A. In furtherance of the objectives of the Community Redevelopment Law (California Health and Safety Code Section 33000, *et seq.*) (the "Redevelopment Law"), the Agency has undertaken a program for the redevelopment of blighted areas in the City, and toward this end, has undertaken and is now carrying out the responsibility for the redevelopment of Redevelopment Project Area No. 1 (the "Project Area") pursuant to the Redevelopment Plan for the Project Area, adopted by City Ordinance No. 190 (the "Redevelopment Plan").

B. In order to provide affordable housing and effectuate the provisions of the Redevelopment Plan for the Project Area, the Agency entered into a Disposition and Development Agreement ("DDA"), dated March 20, 2009, with AMCAL Mirandela Fund, L.P. (the "Developer") for the sale of Agency-owned real property located at the intersection of Crestridge Road and Crenshaw Boulevard within the City of Rancho Palos Verdes (the "Site") and the development on the Site by the Developer of a 34-unit senior affordable apartment project ("the Project").

C. Pursuant to the DDA and in order to implement the financing plan for the Project, the Agency agreed to loan funds to the Developer in an amount not to exceed \$6,790,000 (the "Agency Loan"). The Agency Loan is evidenced by a promissory note (the "Agency Note") and secured by a trust deed. The outstanding balance of the Agency Loan accrues interest at the rate of three percent (3%) per annum, simple interest, on the amount disbursed from the date of disbursement.

D. The Agency Loan shall be repaid by the Developer from Net Available Cash Flow (as defined in the DDA) in accordance with the terms set forth in the DDA. Generally, the Agency Loan shall be repaid annually, commencing on the first May 1st at which Net Available Cash Flow is available in accordance with the provisions of the DDA, and each May 1st thereafter. The Agency Loan shall also be repaid in the event of a sale or refinancing of the Project, in accordance with the terms of the Agency Loan.

E. The Agency Loan has been, or will be, funded, in part, from moneys deposited, or to be deposited, in the Agency's Low and Moderate Income Housing Fund and, in part, from the City's In-Lieu Affordable Housing Funds (the "City Advance"). The City's In Lieu Affordable Housing Funds, which constitute the City Advance, were paid to the City by developers to satisfy the developers' respective obligations to provide affordable housing in connection with their respective projects.

F. At the time of entering into the DDA, the Agency and the City Council contemplated that the Agency would repay the City the City Advance over the life of the Project on the same basis that the Developer repays the Agency Loan to the Agency.

G. The City and the Agency desire to enter into this Advance and Repayment Agreement to acknowledge the foregoing recitals and to provide for an appropriate method of repayment by the Agency of the City Advance.

Section 2. Disbursements to City. Within a reasonable time after the Agency receives from the Developer a repayment of the Agency Loan, the Agency shall disburse to the City in repayment of the City Advance the City's share of the amount received by the Agency. The City's share of each amount shall be in the same proportion as the proportion of the Agency Loan which is funded from the City Advance. The parties agree that in lieu of the foregoing arrangement, the Agency may direct the Developer to remit the City's share of each of its annual repayment amounts directly to the City.

Section 3. Termination of DDA or Foreclosure of Trust Deed. In the event the Agency exercises its right to terminate the DDA or foreclose on the trust deed securing the Agency Note, or exercises its right to re-take title to the Site under its Right of Reverter, as described in the DDA, then the Agency shall endeavor to sell the Site for redevelopment purposes. Upon such sale, the Agency shall pay to the City the City's share of the amount of the sale proceeds received by the Agency, with such share to be in the same proportion as the proportion of the Agency Loan which is funded from the City Advance.

Section 4. No Other Obligations of Agency. The parties agree that except as set forth in this Agreement, the Agency shall have no other obligation to reimburse the City for the City Advance.

Section 5. Cooperation. The City and Agency agree to take all appropriate steps, execute any documents and cooperate to establish such accounting and other procedures, all as may be necessary, convenient, or desirable under the circumstances to accomplish the purposes and intent of this Advance and Repayment Agreement.

Section 6. Records. Each party shall maintain books and records regarding its duties pursuant to this Advance and Repayment Agreement. Such books and records shall be available for inspection by the officers and agents of the other party at all reasonable times.

Section 7. Law Governing. This Advance and Repayment Agreement is made in the State of California under the Constitution and laws of the State of California, and is to be so construed.

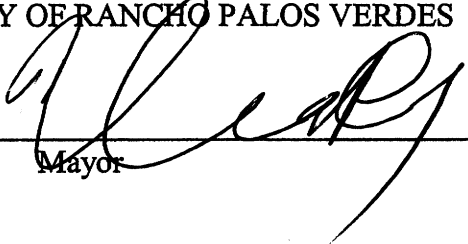
Section 8. Amendments. This Advance and Repayment Agreement may be amended at any time, and from time to time, by an agreement executed by both parties to this Advance and Repayment Agreement.

Section 9. Non Liability of Officials and Employees. No Agency member, Council member, and no official, agent, or employee of the Agency or the City shall be personally liable to the other party, or any successor in interest, in the event of any default or breach by the Agency or the City, or for any amount which may become due to the City or Agency, or successor, or on any obligations under the terms of this Advance and Repayment Agreement.

IN WITNESS HEREOF THE PARTIES HAVE CAUSED THIS AGREEMENT TO BE EXECUTED.

CITY OF RANCHO PALOS VERDES

By


Mayor

ATTEST:


City Clerk

RANCHO PALOS VERDES
REDEVELOPMENT AGENCY

By


Agency Chairperson

ATTEST:


City Clerk

EXHIBIT 1D

**LETTER TO AMCAL CONFIRMING FINAL LOAN AMOUNTS
DATED OCTOBER 28, 2011**

CITY OF RANCHO PALOS VERDES
Finance & Information Technology Department

October 28, 2011

Deborah LoSasso, Project Accountant
Amcal General Contractors, Inc.
30141 Agoura Road, Suite 100
Agoura Hills, CA 91301

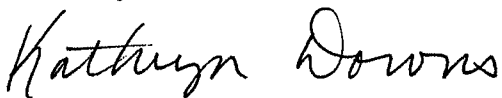
Dear Deborah;

This letter serves as confirmation of the loan balance owed to the City of Rancho Palos Verdes for the Crestridge Senior Housing Project. As of June 30, 2011, the final outstanding principal balance is as follows:

Predevelopment Loan	\$ 180,543.76
Land Note	\$2,990,000.00
Construction Loan	<u>\$3,100,000.00</u>
Total	\$6,270,543.76

It is my understanding that there will be no additional draws, and that this is the final loan amount. Please let me know if you have any additional questions. I can be reached at either kathrynd@rpv.com or (310) 544-5216.

Sincerely,



Kathryn Downs
Deputy Director of Finance & Information Technology

Enclosure

Cc: Greg Pfost, Community Development Deputy Director, City of Rancho Palos Verdes

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