

RESOLUTION 2024-0011

Adopted by the Housing Authority of the City Sacramento

October 8, 2024

A Resolution of the Housing Authority Approving a Purchase and Sale Agreement with the Salvation Army for the Property Located at 1224 North B Street (APN 002-00410021) and the Execution of a Seller Carry Back Loan Agreement in the Amount of \$310,000 and Related Documents with Salvation Army or Related Entity; Related Budget Amendment; Related Findings; and Environmental Findings

BACKGROUND

- A. The Housing Authority of the City of Sacramento has owned the property at 1224 North B Street (APN 002-0041-021) since June 13, 1989. The property was originally purchased as part of a proposed social services campus envisioned in the area. It has been leased to the Salvation Army since that time for the operations of a women's shelter.
- B. The Salvation Army owns the adjacent parcel and building at 1200 North B Street which provides a men's shelter. Veterans are served at both facilities. The combined facility operates as the Salvation Army's "Center of Hope" and provides 140 shelter beds nightly.
- C. As there is no other foreseeable use by the Housing Authority for the property, Staff recommends selling the 1224 North B Street property at fair market value to Salvation Army and entering into a seller carry back loan for the purchase which will allow for the continued operations of the women's shelter.
- D. Per California Health and Safety Code §34315.7 real property owned by a Housing Authority (Authority) which the Authority determines is not required for its foreseeable needs and which is not transferred pursuant to Section §34315.5 can be disposed of. The Housing Authority hereby finds that the Property is no longer needed and desires to sell it for Fair Market Value.
- E. The noticed public hearing required for the disposition of Housing Authority property under Health and Safety Code Section §34312.3(b) was held on September 17, 2024.
- F. The Project is exempt from environmental review under the California Environmental Quality Act Guidelines Section 15312 & 15061(b)(3).
- G. The Project is Categorically Excluded from environmental review under the National Environmental Policy Act regulations at 24 CFR §58.35(a)(5) and converts to Exempt per 24 CFR §58.34 (a)(12).

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING AUTHORITY OF THE CITY RESOLVES AS FOLLOWS:

SECTION 1.

All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved adopted.

SECTION 2.

The Executive Director, or her designee, is authorized to negotiate, enter into and execute a Purchase and Sale Agreement for the Housing Authority owned property at 1224 North B Street (APN 002-0041-021) to the Salvation Army, or related entity, and execute other documents, as approved to form by its Office of the General Counsel, and perform other actions required to sell the Property at Fair Market Value. The appraised Fair Market Value of the Property is \$310,000.

SECTION 3.

The Executive Director, or her designee, is authorized to negotiate, enter into and execute the \$310,000 Seller Carry Back loan agreement and related documents for the acquisition financing of the Property with the Salvation Army, or related entity, and execute other documents, as approved to form by its Office of the General Counsel, and perform other actions required for the Seller Carry Back loan, including without limitation negotiation, subordination, regulatory agreements, financial restructuring, and extensions, consistent with its adopted policy and with this resolution.

SECTION 4.

The Executive Director is authorized to amend the budget to allocate \$310,000 in Seller Carry Back Loan Funds for the Project.

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Adopted by the Housing Authority of the City of Sacramento on October 8, 2024, by the following vote:

Ayes: Members Guerra, Jennings, Kaplan, Maple, Talamantes, Thao, Valenzuela, and Vang

Noes: None

Abstain: None

Absent: Mayor Steinberg

Attest:  10/09/2024

Mindy Cuppy, City Clerk

The presence of an electronic signature certifies that the foregoing is a true and correct copy as approved by the Sacramento City Council.

**AGREEMENT OF PURCHASE AND SALE AND
INITIAL ESCROW INSTRUCTIONS**
(1224 North B Street, Sacramento, CA)

This AGREEMENT OF PURCHASE AND SALE AND INITIAL ESCROW INSTRUCTIONS, dated for reference purposes as of May __, 2024 (this “**Agreement**”), is made by and between SALVATION ARMY (“**Buyer**”), and the **HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body, corporate and politic, as successor-in-interest to the Redevelopment Agency of the City of Sacramento (“**Seller**”), who agree as follows:

ARTICLE 1
BACKGROUND AND GENERAL

1.1 In 2011, the California legislature enacted AB 1X 26 which, coupled with a subsequent decision of the Supreme Court of California, resulted in the dissolution of redevelopment agencies, including the Redevelopment Agency of the City of Sacramento (“**RACS**”), a public body, corporate and politic, as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of RACS to its successor agency; and

1.2 By Sacramento City Council Resolution No. 2012-018 dated January 31, 2012, the City of Sacramento (“**City**”) affirmatively elected to serve as the successor agency to RACS. As successor agency, City designated the Housing Authority of the City of Sacramento (“**HACS**”) as the successor housing agency to retain housing-assets and housing-functions previously performed by RACS; and

1.3 By HACS Resolution No. 2012-001 dated January 31, 2012, HACS affirmatively elected to serve as the successor housing agency to RACS, and is as a result, is the owner of that certain parcel of land located in the City of Sacramento (“**City**”), County of Sacramento (“**County**”), State of California (“**State**”), commonly known as 1224 North B Street, Sacramento, California 9581, all as further described on Exhibit A attached hereto and incorporated herein (“**Property**”).

1.4 Buyer is, and has been for more than the past thirty (30) years, the lessor of the Property which has given Buyer intimate knowledge of the condition of the Property. Buyer desires to purchase the Property from Seller and Seller desires to sell the Property to Buyer pursuant to the provisions of this Agreement.

1.5 Capitalized terms used in this Agreement shall have the meanings ascribed to them by the section in which such term is first defined. This Agreement includes all exhibits, schedules and other attachments hereto.

1.6 Upon both parties’ execution of this Agreement, this Agreement shall be delivered to Escrow Holder, who, upon receipt thereof, shall execute the Acceptance by Escrow Holder attached hereto, which date shall become the effective date of this Agreement (“**Effective Date**”), and Escrow Holder shall insert the Effective Date in the space indicated in accordance herewith.

ARTICLE 2
PURCHASE AND SALE; DEFAULT AND REMEDIES

2.1 Purchase and Sale. Seller shall sell the Property to Buyer, and Buyer shall purchase the Property from Seller, on the terms and conditions specified in this Agreement.

2.2 Purchase Price. The total purchase price for the Property shall be Three Hundred Ten Thousand Dollars (\$310,000.00) (“**Purchase Price**”), to be paid by Buyer in accordance with this Agreement.

2.3 Payment of Purchase Price. The Purchase Price shall be financed by Seller, as lender, on behalf of Buyer, as borrower, pursuant to the certain Seller Carry-Back Loan in the principal amount of the Purchase Price, as evidenced by that certain Promissory Note for Salvation Army Seller Carry-Back Loan dated as of the Closing date executed by Borrower in favor of Seller.

2.4 Default and Remedies.

2.4.1 Buyer’s Default. BY INITIALING THIS SECTION IN THE SPACE PROVIDED BELOW, BUYER AND SELLER AGREE THAT SHOULD BUYER FAIL TO COMPLETE THE PURCHASE OF THE PROPERTY AS HEREIN PROVIDED, THEN THE FOLLOWING PROVISIONS SHALL APPLY:

BUYER RECOGNIZES THAT IF THIS AGREEMENT IS NOT CONSUMMATED BECAUSE OF A DEFAULT BY BUYER, IT WOULD BE EXTREMELY DIFFICULT AND IMPRACTICAL TO ASCERTAIN THE EXTENT OF THE DETRIMENT TO SELLER. THE ACTUAL AMOUNT OF DAMAGES THAT WOULD BE SUFFERED BY SELLER AS A RESULT OF ANY DEFAULT BY BUYER IS DIFFICULT OR IMPRACTICAL TO DETERMINE AS OF THE DATE OF THIS AGREEMENT. FOR THESE REASONS, THE PARTIES AGREE THAT IF THE PURCHASE AND SALE OF THE PROPERTY IS NOT CONSUMMATED BECAUSE OF A DEFAULT BY BUYER, AND PROVIDED THAT SELLER IS NOT THEN IN DEFAULT, THEN SELLER SHALL BE ENTITLED TO TEN THOUSAND DOLLARS (\$10,000) AS LIQUIDATED DAMAGES, AND IN SUCH CASE BUYER SHALL HAVE NO FURTHER RIGHT TO PURCHASE THE PROPERTY OR ANY PORTION THEREOF AND THIS AGREEMENT SHALL TERMINATE. SELLER AGREES THAT THESE LIQUIDATED DAMAGES SHALL BE IN LIEU OF ANY AND ALL OTHER CLAIMS FOR DAMAGES OR RELIEF AT LAW OR IN EQUITY, INCLUDING ANY RIGHTS SELLER MAY HAVE PURSUANT TO SECTION 1680 OR SECTION 3389 OF THE CALIFORNIA CIVIL CODE RELATING TO BUYER’S DEFAULT RESULTING IN ESCROW NOT CLOSING AS PROVIDED UNDER THIS AGREEMENT, AND SELLER HEREBY WAIVES ALL OTHER RIGHTS OR CLAIMS AT LAW OR IN EQUITY, INCLUDING WITHOUT LIMITATION, ANY RIGHTS TO MONETARY RELIEF AND SPECIFIC PERFORMANCE, FOR BUYER’S FAILURE TO PURCHASE THE PROPERTY. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTION 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. NOTHING CONTAINED HEREIN SHALL IN ANY MANNER LIMIT: (A) THE AMOUNT

OF DAMAGES (INCLUDING ATTORNEYS' FEES) OBTAINABLE BY SELLER PURSUANT TO AN ACTION UNDER ANY HOLD HARMLESS OR INDEMNIFICATION PROVISION HEREOF; OR (B) SELLER'S RIGHT TO RECEIVE REIMBURSEMENT FOR ATTORNEYS' FEES PURSUANT TO THIS AGREEMENT.

Buyer's Initials

Seller's Initials

2.4.2 Seller's Default. In the event of a breach hereunder discovered prior to Closing, or if the Seller defaults in its obligation to convey the Property to Buyer under this Agreement subject to Seller's conditions to closing set forth in this Agreement, then Buyer shall have the right, as its sole and exclusive remedy, to either (i) terminate this Agreement by written notice to Seller; or (ii) commence an action against Seller for specific performance of this Agreement if, and only if, Buyer files such action within thirty (30) days after the date of Seller's default in its obligation to convey the Property. Except for the foregoing, in no event shall Seller be liable to Buyer for any monetary damages, whether actual, consequential or punitive damages; provided, that, nothing in this Section shall limit the indemnification provisions, or provisions relating to reimbursement of attorney's fees contained in this Agreement, or provisions expressly stated to survive the Closing or termination of this Agreement, if any.

2.4.3 Cure Period for Default. Notwithstanding anything to the contrary contained in this Agreement, in no event shall either party be in default or breach under the terms of this Agreement unless the non-defaulting party shall have first given written notice to the defaulting party describing the nature of the breach or default claimed by such party, and the defaulting party shall have failed to cure such breach or default within five (5) days after receipt of such notice from the other party, or if a cure cannot reasonably be completed within such 5-business day period then the defaulting party shall have commenced to cure the same within the 5-day period and which period in no event shall exceed a maximum of ten (10) days in total after receipt of such notice; *provided, however*, that the cure period shall not apply in any event to Buyer's failure to deliver the Notice of Suitability on or prior to the expiration of the Feasibility Period hereunder, for which the time for performance shall be strictly enforced.

ARTICLE 3 ESCROW

3.1 Opening. The purchase and sale of the Property shall be consummated through an escrow ("**Escrow**") opened with Placer Title Company, 301 University Avenue, Suite 120, Sacramento, CA 95825, Attention: Jenny Vega ("**Escrow Holder**") by depositing this Agreement in accordance with Section 1.5 above. Escrow Holder shall promptly notify Buyer and Seller in writing of the date of the opening of Escrow. Escrow Holder is designated the "real estate reporting person" for purposes of Section 6045 of the Internal Revenue Code of 1986, as amended and Treasury Regulation 1.6045-4, and any instructions or settlement statement prepared by Escrow Holder shall so provide. Escrow Holder shall be responsible for filing Form 1099-S with the Internal Revenue Service.

3.2 Instructions. This Agreement constitutes initial escrow instructions to Escrow Holder. Any supplemental escrow instructions given to Escrow Holder shall be consistent with the

terms of this Agreement and, as between the parties, the terms of this Agreement shall prevail if there is any inconsistency.

3.3 Close of Escrow.

3.3.1 “**Closing**” or the “**Close of Escrow**” shall mean the date upon which the grant deed to the Property is recorded with the Sacramento County Recorder. The Closing shall occur no later than seven (7) days following the expiration of the Feasibility Period.

3.4 Costs. Seller and Buyer shall equally divide the escrow fee. Any costs incurred through the Escrow relating to the Property that are not specifically allocated to Buyer or Seller under this Agreement shall be allocated per County custom as determined by Escrow Holder. Seller and Buyer shall each pay one-half of the documentary transfer taxes charged by the County and/or City, any document recording charges. Seller shall pay for the premium for the Buyer’s Title Policy (standard coverage), and Buyer shall be solely responsible for any survey costs and the premium increment above the “standard” form of Title Policy, together with the cost of any endorsements. The parties shall also split any escrow costs in the event of a termination of this Agreement to the extent made in accordance with a party’s right set forth under this Agreement, otherwise in the event of a default the defaulting party shall pay all escrow costs. Each of the parties shall be responsible for their own consultant and attorney fees and expenses incurred in connection with this transaction (except for attorneys’ fees pursuant to Section 7.7 herein).

3.5 Prorations and Adjustments. Real property taxes, special Mello-Roos taxes, any similar taxes and assessments imposed upon the Property, and assessments of all Sellers’ associations affecting the Property (collectively, “**Taxes and Assessments**”) shall be prorated, based on a 360-day year, with Seller responsible for Taxes and Assessments accruing prior to Closing and Buyer responsible for Taxes and Assessments accruing on or after the Closing. Prorations for real property taxes and similar charges shall be based upon the full amount of the latest available tax bills. With respect to any prorations based on estimates rather than bills for the period covered by the proration, if and when the actual bill for the tax, assessment or other charge related thereto is finally issued by the appropriate agency, the parties shall adjust said proration, as necessary, through Escrow within 30 days of such bill becoming available, based on such final billing. Supplemental tax bills affecting the Property (for the period prior to Closing) shall be similarly prorated, with supplemental tax bills received after Closing being prorated within 30 days after receipt of such supplemental tax bill; provided, that, Buyer shall be solely responsible for any supplemental tax bills resulting from the change of ownership at Closing. The party owing reimbursement following any such adjustment shall make full payment within 30 days following the date written notice containing the basis for the adjustment and the amount due is sent by the other party. If any errors or omissions are made regarding adjustments and prorations as set forth herein, the parties shall make the appropriate corrections promptly upon discovery thereof. Any corrected adjustment or proration shall be promptly reimbursed or paid in cash to the party entitled thereto. If the party owing a payment or reimbursement fails to make such payment within such 30-day period, the amount unpaid shall bear interest at 10% per annum from the date of such written notice.

3.6 Deliveries to Escrow by Seller. No later than one (1) business day prior to the scheduled Closing, Seller shall deliver into Escrow the following items to be delivered and/or recorded at Closing, unless otherwise specified:

3.6.1 Grant Deed. A duly executed and acknowledged grant deed for the Property in the form of Exhibit B attached hereto and incorporated herein by this reference.

3.6.2 Nonforeign Certification. A sworn affidavit stating under penalty of perjury that Seller is not a “foreign person” as such term is defined in Section 1445(f)(3) of the Internal Revenue Code of 1986, as amended (“Code”), or such other evidence as Buyer and Escrow Holder may require showing that Buyer is not required to withhold taxes from the Purchase Price under Section 1445(a) of the Code, and that Seller is not a disregarded entity as defined in Treasury Regulation Section 1.1445-2(b)(2)(iii).

3.6.3 California Franchise Tax Withholding. Evidence reasonably satisfactory to Buyer and Escrow Holder that Seller is exempt from the provisions of Section 18662 of the California Revenue and Taxation Code and that neither Buyer nor Escrow Holder is required to withhold any amounts from the Purchase Price pursuant thereto.

3.6.4 Miscellaneous. Such other documents and instructions as may be reasonably required by the Escrow Holder or Buyer in order to close Escrow in accordance with the terms of this Agreement, including but not limited to the Owner’s Affidavit required by Escrow Holder to issue Buyer’s Title Policy (defined below).

3.7 Deliveries to Escrow by Buyer. No later than one (1) business day prior to the scheduled Closing date, Buyer shall deliver into Escrow the following items to be delivered and/or recorded at Closing:

3.7.1 Purchase Price. Provided that Escrow Holder has delivered written confirmation to Buyer that it is in possession of all documents required from Seller for the Closing, then on or prior to the scheduled Closing date and in sufficient time for the Closing to occur, the Purchase Price, less the, in immediately available funds.

3.7.2 Closing Payments. Buyer’s share of the then known prorations, fees and costs, in immediately available funds.

3.7.3 Miscellaneous. Such other documents and instructions as may be reasonably required by the Escrow Holder or Seller in order to close Escrow in accordance with the terms of this Agreement.

ARTICLE 4 CONDITIONS TO CLOSE OF ESCROW

4.1 Buyer’s Conditions to Close of Escrow. Buyer’s obligation to purchase the Property and to close Escrow is subject to the fulfillment of each and every one of the conditions and obligations in this Section 4.1, which shall be satisfied by the applicable party set forth herein. Buyer and Seller each covenants to use commercially reasonable efforts to cause the conditions in this Section 4.1 to be satisfied by the applicable party. Except where a different time period is

specifically set forth, satisfaction of each condition shall occur no later than the Closing date. If any of such conditions are not satisfied or waived by Buyer by the date for satisfaction, then Buyer shall have the right to terminate this Agreement and receive back the by giving written notice to Seller, in which case the parties shall have no further obligation to each other except for those obligations intended to survive the termination of this Agreement. Notwithstanding anything in this Agreement to the contrary, however, Buyer shall not have the right to terminate this Agreement, or the right to the return of the, in the event that Escrow fails to close as the result of a default or breach by Buyer of any material obligation under this Agreement.

4.1.1 Feasibility of the Property. In accordance with the provisions set forth below, Buyer will be afforded the right to conduct such investigations, studies and examinations with respect to the Project, the Property and such other matters as Buyer, in its sole and absolute discretion, deems appropriate, upon reasonable notice to Seller (which may be given by phone, text, or orally in person). Buyer shall also have the right to contact Seller's consultants and government officials with respect to the Property; provided, however, that Buyer may not meet with or contact any such governmental officials without using good faith efforts to provide Seller with no less than forty-eight (48) hours' prior written, telephonic or oral notice so as to permit Seller to have a representative present. Feasibility review issues shall include all issues which Buyer determines to be relevant and material to its determination to purchase the Property, including, without limitation, political, planning, zoning and entitlement matters, geology, environmental, economic and marketing issues.

(a) Feasibility Period. Buyer shall have until 5:00 p.m. Pacific Time on the date that is two (2) days after the Effective Date ("**Feasibility Period**"), to give written notice ("**Notice of Non-Suitability**") to Seller that Buyer, at its sole discretion, wishes to not proceed with the transactions contemplated by this Agreement. Should Buyer fail to deliver the Notice of Non-Suitability to Escrow Holder and Seller on or prior to the expiration of the Feasibility Period, then Buyer shall be deemed to have approved the Property and elected to keep this Agreement in effect .

(b) Documents and Materials. Seller has provided Buyer with access, via Box, to copies of all documents and materials set forth on Exhibit C attached hereto and incorporated herein by this reference pertaining to the Property to the extent in Seller's possession (collectively, "**Documents and Materials**"). Seller makes no representations or warranties regarding the Documents and Materials or the accuracy of the same.

(c) Right of Entry. Buyer currently leases the Property and shall continue to have the right to enter on the Property from the Effective Date to the Close of Escrow or sooner termination of this Agreement to make such tests, surveys and other studies of the real property as Buyer deems appropriate including, without limitation, minimally invasive soil, water, geotechnical and environmental studies consistent with a Phase I environmental audit, as may be necessary or appropriate with respect to such real property. Prior to any such invasive or destructive testing, Buyer provide a written description of same to Seller and receive written approval of same by Seller prior to conducting any such testing, which approval shall not be unreasonably withheld. Buyer shall (a) conduct all inspections and studies in a diligent, expeditious and safe manner; and (b) comply with all laws, regulations and requirements concerning the Property or Buyer's activities thereon. In the event Buyer wishes to seek a Phase

If environmental assessment, Buyer shall coordinate all such activities with Seller and shall restore the Property to its current condition following completion of the same.

(i) Costs. Buyer shall bear the entire cost of all tests and studies performed by Buyer or at Buyer's direction, and shall be responsible for, at its sole cost and expense, returning the Property to a substantially similar condition that existed prior to such tests and studies; *provided*, that, Buyer shall not be obligated to restore damage to the Property resulting from pre-existing conditions at the Property so long as Buyer or Buyer's consultants were not negligent in exercising their rights of entry and inspection hereunder or from Seller's willful misconduct or gross negligence.

(ii) Insurance. Buyer shall continue to maintain commercial general liability insurance "and if necessary, excess liability," in accordance with the terms of Buyer's lease agreement for the Property's.

(iii) Inspection Indemnity. Buyer shall defend, indemnify and hold Seller and the real property harmless from any and all costs, expenses, claims, losses, liabilities and demands (including attorneys' fees) arising from the exercise of Buyer's rights of entry and inspection pursuant to this Agreement, including by its officers, employees, contractors or consultants, except for costs, expenses, claims, losses, liabilities or demands arising or resulting from the discovery of pre-existing conditions on the Property.

(iv) All of the Buyer's indemnity obligations set forth in this Section 4.1.1 shall survive the term of this Agreement.

4.1.2 Title; Title Policy. At Closing, Seller shall convey the Property to Buyer by grant deed, and Escrow Holder shall be committed to issue the Buyer's Title Policy to Buyer, with liability limits equal to the Purchase Price, insuring fee title to the Property as being invested in Buyer, subject only to the Permitted Exceptions as defined below.

(a) Preliminary Report; Buyer's Title Notice. By depositing this Agreement with Escrow Holder, Buyer and Seller hereby instruct Escrow Holder's title underwriter ("**Title Company**") to immediately prepare and deliver to both Buyer and Seller, within five (5) days of the Effective Date, a preliminary title report covering the Property, and legible copies of all exception documents referred to therein (collectively, the "**Preliminary Report**"). Buyer shall have until the seventh (7th) day after the Effective Date ("**Initial Title Review Date**"), to give Seller written notice ("**Buyer's Title Notice**") of Buyer's approval or disapproval of each and every item or exception set forth in the Preliminary Report. Buyer's failure to give the Buyer's Title Notice by the Initial Title Review Date shall be deemed to be Buyer's approval of title to the Property as set forth in the Preliminary Report.

(b) Seller's Title Notice. In the event that the Buyer's Title Notice disapproves any exception, Seller shall have until 5:00 p.m. on the second (2nd) business day following receipt of the Buyer's Title Notice (the "**Seller's Title Response Date**") to give Buyer written notice ("**Seller's Title Notice**") of those disapproved title matters, if any, which Seller is unwilling or unable to remove. Seller's failure to timely give Seller's Title Notice shall be deemed to be Seller's election not to remove the disapproved title matters. If Seller's Title Notice refuses,

or is deemed to have refused, to remove any items disapproved by Buyer, then, notwithstanding anything herein to the contrary, Buyer shall have two (2) business days thereafter to elect to (i) terminate this Agreement or (ii) proceed to Closing in which case any such disapproved title items shall be deemed approved and shall become Permitted Exceptions. In the event of a termination hereunder, the parties shall have no further obligations to each other except for those obligations intended to survive the termination of this Agreement. Seller shall have until the Closing to remove those exceptions which Seller agrees to remove.

(c) Permitted Exceptions. As used herein, “**Permitted Exceptions**” shall mean (i) all general and special real property taxes and assessments, a lien not yet due and payable, (ii) any other liens, encumbrances, covenants, conditions and restrictions of record approved by Buyer or created under the signature of Buyer, (iii) the documents which are to be recorded pursuant to the terms of this Agreement, and (iv) any other exceptions expressly or deemed to be made Permitted Exceptions under this Agreement.

(d) Buyer’s Title Policy. The title insurance policy issued at Closing shall be an ALTA standard coverage policy of title insurance, or at Buyer’s written request and at Buyer’s additional cost, an ALTA extended coverage policy of title insurance (“**Buyer’s Title Policy**”), with liability in the amount of the Purchase Price, insuring title in Buyer, subject only to (1) the Permitted Exceptions; and (2) the printed exceptions and exclusions common to the type of ALTA policy selected by Buyer.

(e) Extended Policy. If Buyer requests an ALTA extended coverage policy of title insurance, Buyer shall obtain and furnish a survey or any update to an existing survey, if any, as may be required by Escrow Holder to issue Buyer’s Title Policy. Buyer shall be responsible for any survey costs attributable to obtaining a survey, or updating any existing survey, if any, and for the cost of the premium increment above the standard coverage policy. If Buyer does not provide a survey to Escrow Holder, Buyer agrees that Buyer’s Title Policy shall be subject to survey exceptions. Seller shall provide an Owner’s Affidavit and shall be responsible for taking such reasonable action as may be necessary to assure that Buyer will be able to obtain Buyer’s Title Policy, and pay the costs of endorsements against liens of mechanics and materialmen.

(f) Supplemental Report. If the Title Company issues any supplemental report setting forth any new items not previously included in the Preliminary Report or deleting any items previously included, which supplemental report shall include copies of any recorded exceptions listed therein (“**Supplemental Report**”), Buyer shall have until the date that is five (5) days after receipt of a Supplemental Report to deliver a title notice with respect to the new items set forth, or deleted, in any Supplemental Report (“**Supplemental Title Notice**”). Buyer’s failure to provide a Supplemental Title Notice within such five (5) day period shall be deemed Buyer’s approval of the Supplemental Report. Seller shall have five (5) days to review the Supplemental Title Notice and determine if Seller is willing to remove the same or not. If Seller is not willing to remove any such supplemental title objections, Buyer shall, notwithstanding anything herein to the contrary, have five (5) days after notification from Seller that Seller is not willing to remove such objections to determine if Buyer elects to (i) terminate this Agreement, or (ii) keep this Agreement in effect in which case any such disapproved supplemental title items shall be deemed approved and shall become Permitted Exceptions. Failure to give written notification of election to terminate shall be deemed an election to keep this Agreement in effect. The Closing shall be

extended as may be required to accommodate Buyer's supplementary title objection right described herein.

4.1.3 Seller's Performance. Seller shall have timely performed all of its covenants and material obligations under this Agreement.

4.1.4 Representations and Warranties True. Each and every one of Seller's representations and warranties contained in this Agreement shall be true and correct in every material respect as of the Effective Date and again as of the Closing.

4.2 Seller's Conditions to Close of Escrow. Seller's obligation to sell the Property and to close Escrow is subject to the fulfillment of each and every one of the conditions in this Section 4.2. Buyer and Seller each covenant to use commercially reasonable efforts to cause the conditions in this Section 4.2 to be satisfied by the applicable party. Except where a different time period is specifically set forth in this Agreement, satisfaction of each condition shall occur no later than the Closing date. If any of such conditions are not satisfied or waived by Seller by the date for satisfaction, then Seller shall have the right to terminate this Agreement by giving written notice to Buyer, whereupon the parties shall have no further obligation to each other except for Buyer's obligations intended to survive the term of this Agreement. If Seller terminates this Agreement at a time when Buyer is not in default under this Agreement, Buyer shall be entitled to exercise any of Buyer's rights under Section 2.4.2. Notwithstanding anything in this Agreement to the contrary, however, Seller shall not have the right to terminate this Agreement in the event that Escrow fails to close as the result of the breach by Seller of any material obligation under this Agreement.

4.2.1 Notice of Suitability. Buyer shall have timely given Seller the "Notice of Suitability" in accordance with Section 4.1.1.

4.2.2 Buyer's Performance. Buyer shall have timely performed all of its covenants and material obligations under this Agreement, subject to the cure periods set forth in Section 2.4.3 or elsewhere in the Agreement.

4.2.3 Representations and Warranties True. Each and every one of Buyer's representations and warranties contained in this Agreement shall be true and correct in every material respect as of the Effective Date, and again as of the Closing.

ARTICLE 5

DISCLOSURES, DISCLAIMERS, REPRESENTATIONS AND WARRANTIES

5.1 Additional Disclosures. Seller has provided or will provide Buyer with one or more natural hazard disclosure reports which shall be deemed to be part of the Documents and Materials.

5.2 AS-IS DISCLAIMER. BUYER ACKNOWLEDGES AND AGREES THAT, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT OR ANY CLOSING DOCUMENTS REQUIRED UNDER SECTION 3.6 HEREOF ("CLOSING DOCUMENTS"), SELLER HAS NOT MADE ANY REPRESENTATIONS, WARRANTIES, GUARANTIES, PROMISES, STATEMENTS OR ASSURANCES WHATSOEVER, EXPRESS OR IMPLIED, DIRECTLY OR THROUGH ANY EMPLOYEE OR AGENT, AS TO THE CONDITION OF THE PROPERTY, OR ANY OTHER MATTER, INCLUDING, BUT NOT LIMITED TO,

HAZARDOUS MATERIALS. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING IN ANY WAY, EXCEPT AS SPECIFICALLY EXPRESSLY PROVIDED IN THIS AGREEMENT OR ANY CLOSING DOCUMENTS, SELLER EXPRESSLY DISCLAIMS MAKING OR HAVING MADE ANY REPRESENTATIONS OR WARRANTY WITH RESPECT TO THE DOCUMENTS AND MATERIALS FURNISHED BY SELLER. BUYER ACKNOWLEDGES AND AGREES THAT EXCEPT FOR SELLER'S EXPRESS COVENANTS, REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT, SELLER SPECIFICALLY DISCLAIMS: (A) ALL MATTERS RELATING TO THE TITLE TOGETHER WITH ALL GOVERNMENTAL AND OTHER LEGAL REQUIREMENTS SUCH AS TAXES, ASSESSMENTS, ZONING, USE PERMIT REQUIREMENTS, BUILDING PERMIT REQUIREMENTS, BUILDING CODES AND OTHER DEVELOPMENT REQUIREMENTS, OR THE EXISTENCE OF, OR INFORMATION DISCLOSED IN, ANY PUBLIC REPORTS, WHITE PAPERS OR SIMILAR REPORTS; (B) THE PHYSICAL CONDITION OF THE PROPERTY, OR WHETHER THE PROPERTY COMPLIES WITH ANY LAWS, ORDINANCES OR REGULATIONS; (C) ALL OTHER MATTERS OF ANY SIGNIFICANCE AFFECTING THE PROPERTY, WHETHER PHYSICAL IN NATURE OR INTANGIBLE IN NATURE, SUCH AS THE POLITICAL CLIMATE WITH RESPECT TO THE GOVERNMENTAL AGENCIES THAT HAVE JURISDICTION OVER THE PROPERTY, DEVELOPMENT OF THE PROPERTY OR THE OPERATION OF THE PROPERTY; (D) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF UTILITIES SERVING THE PROPERTY; (E) THE ECONOMICS OF THE PRESENT OR FUTURE OWNERSHIP, MARKETABILITY AND/OR OPERATION OF THE PROPERTY; (F) THE EXISTENCE OF HAZARDOUS MATERIALS IN, UNDER OR AFFECTING THE PROPERTY, OR THE PRESENCE OF ANY THREATENED OR ENDANGERED SPECIES, OR ANY ARCHAEOLOGICAL SITES, ARTIFACTS OR OTHER MATTERS OF ARCHAEOLOGICAL SIGNIFICANCE; (G) THE DESIGN, CONSTRUCTION, ENGINEERING OR OTHER WORK WITH RESPECT TO THE PROPERTY PROVIDED OR PERFORMED BY OR CAUSED BY OR ATTRIBUTABLE TO EITHER BUYER OR SELLER; OR (H) A DEFECT IN THE DESIGN OR CONSTRUCTION OF ANY IMPROVEMENTS ON OR ABOUT THE PROPERTY OR THE PHYSICAL CONDITION OF THE PROPERTY, THE GRADING OF THE PROPERTY, WHETHER OR NOT PERFORMED BY OR ON BEHALF OF SELLER, AND ANY SURFACE AND SUBSURFACE CONDITIONS; AND BUYER IS PURCHASING THE PROPERTY "AS IS-WITH ALL DEFECTS" BASED UPON BUYER'S OWN INSPECTION OF THE PROPERTY AND SELLERS' EXPRESS REPRESENTATIONS AND WARRANTIES AS SET FORTH HEREIN. ALL OF THE FOREGOING SHALL BE COLLECTIVELY REFERRED TO AS "**PROPERTY CONDITIONS.**"

BUYER'S INITIALS

SELLER'S INITIALS

5.3 Representations and Warranties in General.

5.3.1 Knowledge Representations. Warranties or representations of Seller modified by a phrase such as "to the best knowledge" or "to Seller's actual knowledge" shall mean that the warranty or representation is given to the extent the subject matter is within the actual present knowledge of Michael Taylor, Director of Real Estate and Construction Services, without

any duty of inquiry or investigation or any personal liability for the same. Seller represents and warrants that the foregoing individual is the person within the Seller entity who is most likely to possess substantial information regarding the subject matter of Seller's representations and warranties.

5.3.2 Exceptions. The following shall be deemed exceptions to the representations, warranties and covenants of Seller contained in this Agreement: (i) all items clearly disclosed in the Documents and Materials, and (ii) any matters of public record where the Property is located and which are disclosed in this Agreement or the Preliminary Report (collectively, "**Exception Matters**").

5.3.3 Restatement. Except as otherwise provided in Section 5.4, the representations made by Seller in Section 5.4 shall be deemed to be restated by Seller and shall be true and correct at all times prior to and at Closing. The representations made by Buyer in Section 5.5 shall likewise be deemed to be restated by Buyer at all times prior to and at Closing.

5.4 Representations and Warranties by Seller. Seller acknowledges that the execution of this Agreement by Buyer is made in reliance by Buyer on each and every one of the representations and warranties made by Seller in this Section 5.4, which, except as otherwise provided in Section 5.6 below, shall survive the Closing for a period of twelve (12) months. Subject to the Exception Matters, Seller hereby represents and warrants to Buyer that:

5.4.1 Authority. Seller has the right, power and authority to enter into this Agreement and to perform its obligations hereunder, and the person(s) executing this Agreement on behalf of Seller have the right, power and authority to do so. This Agreement constitutes the legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally. This Agreement does not violate any material provision of any other agreement or document to which Seller is a party or to which Seller is bound.

5.4.2 No Grants. Seller has not granted to any party other than Buyer any option, contract or other agreement with respect to a purchase or sale of the Property or any portion thereof or any interest therein. Nothing in this representation shall prohibit Seller from entering into any "backup" or other agreement with respect to the Property which recognizes and is subordinate to the prior right of Buyer to purchase the Property in accordance with the terms of this Agreement.

5.4.3 Bankruptcy. Seller is not bankrupt or insolvent under any applicable Federal or state standard, nor has Seller filed for protection or relief under any applicable bankruptcy or creditor protection statute nor has Seller been threatened by creditors with an involuntary application of any applicable bankruptcy or creditor protection statute. Seller is not entering into the transactions described in this Agreement with an intent to defraud any creditor or to prefer the rights of one creditor over any other.

5.4.4 No Claims. To Seller's actual knowledge, there is no pending or threatened in writing claim or litigation affecting the Property, including but not limited to any (i) claims, actions, suits, actions, or other proceedings pending or threatened by any entity that materially and

adversely affect the Property, or (ii) existing violations of any law, statute, government regulation or requirement that materially and adversely affect the Property. To Seller's actual knowledge, there are no judgments, orders, awards, or decrees currently in effect against Seller with respect to the ownership or operation of the Property that have not been fully discharged prior to the Effective Date.

5.4.5 Not a Foreign Person. Seller is not a "foreign person" within the meaning of Section 1445(f) of the Internal Revenue Code and Seller is not, nor is any person who owns a controlling interest in or otherwise controls Seller: (i) listed on the Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Assets Control ("OFAC"), Department of the Treasury, and/or on any other similar list maintained by the OFAC pursuant to any authorizing statute, Executive Order or regulation (collectively, "**OFAC Laws and Regulations**"); or (ii) a person either (A) included within the term "designated national" as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (B) designated under Sections 1(a), 1(b), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed. Reg. 49079 (published September 25, 2001) or similarly designated under any related enabling legislation or any other similar Executive Orders (collectively, the "**Executive Orders**"). Neither Seller nor any of its principals or affiliates is (i) a person or entity with which Buyer is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, or that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Orders, or (ii) is affiliated or associated with a person or entity listed in the preceding clause (i). To Seller's knowledge, neither Seller nor any of its principals or affiliates, nor any brokers or other agents acting in any capacity in connection with the transactions contemplated herein (i) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Orders or (ii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law. As used herein, "**Anti-Terrorism Law**" means the OFAC Laws and Regulations, the Executive Orders and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001), as amended.

5.4.6 Condemnation. To Seller's actual knowledge, there are no pending proceedings in eminent domain or otherwise which would affect the Property or any portion thereof.

5.4.7 Leases. To Seller's actual knowledge, there are no leases affecting the Property.

5.4.8 No Other Third-Party Rights. To Seller's actual knowledge, except as disclosed in the Documents and Materials and the Preliminary Report, there are no occupancy agreements, easements, licenses, or other agreements that grant third parties any possessory or usage rights to all or any part of the Property.

5.5 Buyer's Representations and Warranties. Buyer acknowledges that the execution of this Agreement by Seller is made in material reliance by Seller on each and every one of the representations and warranties made by Buyer in this Section 5.5, which, except as otherwise

provided in Section 5.6 below, shall be deemed remade as of the Closing, and which shall survive the Closing for a period of one year. Buyer hereby represents and warrants to Seller that:

5.5.1 Authority. Buyer has the right, power and authority to enter into this Agreement and to perform its obligations hereunder, and the person(s) executing this Agreement on behalf of Buyer have the right, power and authority to do so. This Agreement constitutes the legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, moratorium and other principles relating to or limiting the rights of contracting parties generally. This Agreement does not violate any provision of any other agreement or document to which Buyer is a party or to which Buyer is bound.

5.5.2 Property Lessor; Feasibility Period. Buyer is is, and has been for more than the past thirty (30) years, the lessor of the Property, and is intimately familiar with the condition of the Property. Buyer has also been afforded a reasonable period of time to perform such due diligence as Buyer believes is reasonably necessary to make the decision to consummate the transactions described in this Agreement.

5.5.3 Reliance on Own Investigation. Except for express covenants, representations and warranties made by Seller in this Agreement, Buyer is relying and shall rely solely upon its own investigation and inspection of the Property and the improvements thereon and upon the aid and advice of Buyer's independent expert(s) in purchasing the Property, and shall take title to the Property without any warranty, express or implied, by Seller or any employee or agent of Seller.

5.5.4 No Attachments. To Buyer's actual knowledge, there are no attachments, executions or assignments for the benefit of creditors, or voluntary or involuntary proceedings in bankruptcy or under any other debtor-relief laws pending or, to the best of Buyer's knowledge, threatened against Buyer.

5.5.5 Prohibited Persons. Buyer is not, nor is any person who owns a controlling interest in or otherwise controls Buyer: (i) listed on the OFAC Laws and Regulations; or (ii) a person either (A) included within the term "designated national" as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515, or (B) designated under Sections 1(a), 1(b), 1(c) or 1(d) of Executive Order No. 13224, 66 Fed. Reg. 49,079 (Sept. 25, 2001) or similarly designated under any related enabling legislation or any other Executive Orders. Neither Buyer nor any of its principals or affiliates is (i) a person or entity with which Seller is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, or that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Orders, or (ii) is affiliated or associated with a person or entity listed in the preceding clause (i). To Buyer's knowledge, neither Buyer nor any of its principals or affiliates, nor any brokers or other agents acting in any capacity in connection with the transactions contemplated herein (i) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Orders or (ii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

5.6 Discovery of Inaccuracy.

5.6.1 Notice. If, after the Effective Date, either party discovers any inaccuracy in any representation or warranty under this Agreement, whether made by that party or the other party, the discovering party shall promptly notify the other party in a written notice setting forth the particular representation or warranty which is inaccurate, and the nature of the inaccuracy discovered.

5.6.2 Right to Terminate. If the inaccuracy is material, then the party in whose favor the representation or warranty runs (“**Benefited Party**”) shall have the right to terminate this Agreement within fifteen (15) days of learning of such inaccuracy and the material nature of the same by giving written notice to the other party (“**Representing Party**”). Failure of the Benefited Party to terminate this Agreement within such fifteen (15)-day period shall be deemed a waiver of the right to terminate. If the Benefited Party does terminate this Agreement, the parties shall have no further obligation to each other except for Buyer’s obligations intended to survive the term of this Agreement. If the Benefited Party proceeds to consummate the transactions contemplated by this Agreement regardless of such inaccuracy, such party shall be deemed to have waived any and all rights such party may have against the Representing Party as a result of such inaccuracy. In no event shall Buyer have any right to pursue Seller for any representations or warranties following the Closing, and the terms of Section 5.7 shall apply.

5.7 Exculpation and Release.

5.7.1 Exculpation. Notwithstanding anything to the contrary contained herein, no principal of either party hereto, nor any direct or indirect partner, shareholder, member, manager, officer, director, trustee or employee in or of any of them (each, a “**Nonrecourse Party**”; collectively, the “**Nonrecourse Parties**”), shall be personally liable in any manner or to any extent under or in connection with this Agreement, and neither the other party nor any successor, assignee, partner, officer, director or employee of the other party shall have any recourse to any assets of a Nonrecourse Party. The limitation of liability provided in this Section is in addition to, and not in limitation of, any limitation on liability applicable to a Nonrecourse Party provided by law or by this Agreement or any other contract, agreement or instrument. Buyer agrees that it shall look solely to the Seller’s interest in the Property for the enforcement of any claims arising hereunder or related hereto. The terms of this Section are a material consideration and inducement to each party to enter into this Agreement, and but for the inclusion of such provisions in this Agreement, neither party would enter into this Agreement.

5.7.2 Release. Except as otherwise provided in this Agreement, effective as of the Closing, Buyer and its officers, officials, managers, employees, affiliates, partners, successors and assigns do hereby fully and forever waive, release and discharge Seller and its officers, directors, members, shareholders, managers, employees, affiliates, agents, and any other person acting on behalf of Seller, of and from any claims, actions, causes of action, demands, rights, damages, costs, expenses, penalties, fines or compensation whatsoever, direct or indirect, known or unknown, past, present and future (collectively, “**Claims**”), which Buyer may have which arise out of or relate in any way to any liability or responsibility for (i) the Property or any Property Conditions, or (ii) the disclosure or non-disclosure by Seller prior to the Closing of any matters relating to the Property. Buyer agrees that this release is fully effective regardless of any present

lack of knowledge on the part of any party as to any possible claim or any facts or circumstances pertaining to this matter. In connection with the foregoing release, Buyer expressly waives the benefits and provisions of Section 1542 of the Civil Code of the State of California, and any similar law of any state or territory of the United States or other jurisdiction. Civil Code Section 1542 provides as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

BUYER’S INITIALS

5.8 Buyer’s Indemnity. Effective upon the Closing, as a material part of the consideration for this Agreement, and to the maximum extent permitted by law, Buyer shall indemnify, protect, defend and hold harmless Seller and Seller’s officers, shareholders, members, partners, officers, or employees (“**Seller Parties**”), with counsel reasonably acceptable to Seller, from and against any and all claims, actions, causes of action, demands, rights, damages, costs, expenses, penalties or fines, direct or indirect, or known or unknown (collectively, “**Claims**”) to the extent arising after Closing directly related to: (a) Buyer’s ownership, development, marketing, sale or use of the Property in any way, or activities of Buyer, its agents, employees or contractors on the Property following Buyer’s purchase; (b) the violation by Buyer, its agents, employees or contractors of any federal, state or local law, ordinance or regulation, occurring or allegedly occurring with respect to the Property, including, without limitation, Hazardous Materials laws, or (c) any claims by any tenants, guests or invitees related to the condition of the Property, including, without limitation, the Property Conditions.

ARTICLE 6 PROPERTY COVENANTS

6.1 Maintenance. During the term of this Agreement, Seller agrees as owner, and Buyer agrees as lessor, to maintain the Property as currently maintained, and shall provide the other party with prompt notice of any changes in the condition of the Property following the Effective Date.

6.2 Title. During the term of this Agreement, Seller agrees to not take any affirmative action to change the condition of title of the Property.

ARTICLE 7 MISCELLANEOUS

7.1 Brokers; Commissions. Seller and Buyer each hereby warrant and represent to the other that neither party has been represented by a broker and no brokers, agents, finders’ fees or commissions, or other similar fees, are due or arising in connection with the entering into of this

Agreement, the sale and purchase of the Property, or the consummation of transactions contemplated herein. Seller and Buyer each hereby agree to indemnify, defend and hold the other harmless from and against all liability, loss, cost, damage, or expense (including but not limited to attorneys' fees and costs of litigation) which the other party shall suffer or incur because of any claim by a broker, agent, or finder claiming by, through, or under such indemnifying party (excluding the Seller's Broker and Buyer's Broker), whether or not such claim is meritorious, for any compensation with respect to the entering into of this Agreement, the sale and purchase of the Property, or the consummation of the transactions contemplated herein.

7.2 Notices. Any notices, requests, demands or other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally (Federal Express and similar services shall be considered to be personal service), or by telephone facsimile (provided that the sender of a telephone facsimile has received confirmation of successful transmission by the sending fax machine) or other electronic transmission such as e-mail (provided that the sender of such other electronic transmission does not receive notice of non-delivery of such other electronic transmission), each no later than 5:00 p.m. of a given business day, and upon receipt, if mailed to the party to whom notice is to be given, by first-class mail, registered or certified, postage prepaid, return receipt requested, and properly addressed as follows:

SELLER: Housing Authority of the City of Sacramento
801 12th Street
Sacramento, CA 95814
Attention: Michael Taylor
Telephone: (916) 449-6285
Email: mtaylor@shra.org

BUYER:

ESCROW Placer Title Company
HOLDER: 301 University Avenue, Suite 120
Sacramento, CA 95825
Attention: Jenny Vega
Telephone: (916) 973-3610
Email: jvega@placertitle.com

Any party may change its address for purposes of this section by giving the other party written notice of the new address in the manner set forth above.

7.3 Legal; Interpretation. This Agreement has been executed in Sacramento, California, and venue for any dispute arising hereunder shall be Sacramento County, California. The headings and captions of articles and sections used in this Agreement are for convenience only, and this Agreement shall be interpreted without reference to any headings or captions. Similarly, the presence or absence of language in prior drafts of this document shall not be used to interpret any provision hereof. This Agreement has been prepared and revised by attorneys for both parties, so any rule of law or construction that ambiguities are to be construed against the

party responsible shall not apply. This Agreement shall be governed by the laws of the State of California.

7.4 Successors Bound. The provisions hereof shall be binding upon and inure to the benefit of the successors and assigns of Buyer and Seller; subject, however, to the limitation on assignment expressed in Section 7.5 below.

7.5 Assignment. Seller is relying upon the talent, experience and reputation of Buyer in entering into this Agreement. Therefore, Buyer may not assign its rights under this Agreement except with the prior written consent of Seller, which may be given or withheld in Seller's sole and absolute discretion. If Seller consents or any assignment is permitted, Buyer shall not be released of its obligations under this Agreement as a result of such assignment. In the event of such any assignment, Buyer shall not be released of its obligations under this Agreement as a result of such assignment and shall remain liable hereunder.

7.6 Time of Essence. Time is of the essence of this Agreement and of the Escrow provided for herein.

7.7 Attorneys' Fees. In the event any of the parties shall commence legal proceedings for the purpose of enforcing any provision or condition hereof, or by reason of any breach arising under the provisions hereof, then the successful party in such proceeding shall be entitled to court costs and reasonable attorneys' fees to be determined by the Court or arbitrator mutually agreed upon by the parties. Without limiting the generality of the foregoing: (a) the prevailing party shall be entitled to recover its attorneys' fees and other legal expenses incurred in connection with a bankruptcy or other insolvency-related proceeding of the other party (and including such fees and expenses incurred in efforts, whether successful or not, to obtain adequate protection, annulment, modification or termination of the automatic stay); and (b) the prevailing party shall be entitled, in addition to and separately from the amounts recoverable under clause (a), to the payment by the losing party of the prevailing party's reasonable attorneys' fees, court costs and litigation expenses incurred in connection with any appellate review of the judgment rendered or of any other ruling in such action or proceeding, and any proceeding to enforce a judgment in such action and proceeding. It is the intent of the parties that the provisions of clause (b) be distinct and severable from the other rights of the parties under this Agreement, shall survive the entry of judgment in any action or proceeding and shall not be merged into such judgment.

7.8 Integration. This Agreement and any Schedules or Exhibits attached hereto contain the entire agreement of the parties hereto, and supersede any prior written or oral agreements between them concerning the subject matter contained herein, including, without limitation, any letters of intent or letters of interest between the parties. THERE ARE NO REPRESENTATIONS, AGREEMENTS, ARRANGEMENTS OR UNDERSTANDINGS, ORAL OR WRITTEN, RELATING TO THE SUBJECT MATTER WHICH ARE NOT FULLY EXPRESSED HEREIN.

7.9 Additional Documents. From time to time prior to and after the Close of Escrow, each party shall execute and deliver such instruments of transfer and other documents as may be reasonably requested by the other party to carry out the purpose and intent of this Agreement.

7.10 Amendments. The provisions of this Agreement may not be modified or amended except by a written instrument duly executed by each of the parties hereto.

7.11 Waiver. The waiver by either party of a breach of any provision of this Agreement shall not be deemed a waiver of any subsequent breach whether of the same or another provision of this Agreement. No failure or delay on the part of one party to exercise any right it may have shall prevent the exercise thereof by the other party at any time during which the first party may continue to be in default, and no such failure or delay shall operate as a waiver of any default.

7.12 Time for Performance. Wherever the time for performance of any obligation hereunder or if, pursuant to this Agreement, a party must act by a particular time, or an act is effective only if done by a particular time, and the last date for the performance of such obligation or the doing or effectiveness of such act falls upon a day other than a business day, the time for the performance of such obligation or the doing or effectiveness of such act shall be extended to the next succeeding business day. As used herein, the term “**business day**” shall mean any day which is not any one or more of the following: (a) a Saturday, Sunday, national or state holiday, (b) a day on which Escrow Holder is not open for business, or (c) a day on which the Office of the County Recorder of Sacramento County is closed or otherwise not accepting documents for recording.

7.13 Dependency and Survival of Provisions. The respective warranties, representations, covenants, agreements, obligations and undertakings of each party hereunder shall be construed as dependent upon and given in consideration of those of the other party and shall survive the Close of Escrow and delivery of the deed.

7.14 Risk of Loss; Possession. Risk of loss shall remain with Seller until Closing. Possession of the Property and the risk of loss shall pass to Buyer at Closing.

7.15 Condemnation; Destruction. In the event that a material portion of the Property shall be taken in condemnation or under the right of eminent domain after the Effective Date, or in the event that a material portion of the Property is damaged or destroyed after the Effective Date, Buyer may either: (a) terminate this Agreement; or (b) proceed to close this transaction, in which case Buyer shall be entitled to the entire portion of the award and/or insurance proceeds which are attributable to the Property acquired by Buyer. For purposes of this Agreement, condemnation or damage or destruction shall be deemed to affect a “material” portion of the Property if it affects five percent (5%) or more of the Property area. In the event that a non-material portion of the Property shall be taken in condemnation or under the right of eminent domain after the Effective Date, or in the event that a non-material portion of the Property is damaged or destroyed after the Effective Date, the parties shall proceed to the Close of Escrow provided the Purchase Price shall be reduced by the percentage of the area taken and/or damaged or destroyed (based on the current Purchase Price).

7.16 Counterparts; Electronic Signatures. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but which together shall constitute a single document. Signatures transmitted by facsimile or by a PDF sent by electronic mail shall be binding; provided, however, that any person transmitting his or her signature by facsimile or by

a PDF sent by electronic mail shall promptly send an original signature to the other parties in accordance with Section 7.2.

7.17 Schedules and Exhibits. All schedules and exhibits attached to this Agreement are hereby incorporated herein by reference and shall be part of this Agreement.

[Signatures Follow on Next Page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the dates indicated below.

SELLER:

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic

By: _____
La Shelle Dozier, Executive Director

Date: _____

BUYER:

SALVATION ARMY

Date: _____

APPROVED AS TO FORM:

By: _____
Agency Counsel

ACCEPTANCE BY ESCROW HOLDER

The undersigned Escrow Holder hereby acknowledges that the undersigned received a fully executed duplicate original (with initials of the parties of all applicable Sections) of the foregoing Agreement of Purchase and Sale and Initial Escrow Instructions by and between **[BUYER]**, an individual, as Buyer, and **HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, as Seller, affecting the Property. Escrow Holder agrees to act as the Escrow Holder under this Agreement, and to comply with these instructions. Escrow Holder has assigned Escrow No. _____ to this transaction for that purpose.

PLACER TITLE COMPANY

By: _____

Name [print]: _____

Date: _____

EFFECTIVE DATE: _____

EXHIBIT A

LEGAL DESCRIPTION

The West one-half of Lot 4, Block 13, also described as in the Block bounded by "A" and North "B", Twelfth and Thirteenth Streets, according to the Official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in the office of the County Recorder of Sacramento County, April 24, 1850, in Book 1 of Maps, Map No. 8. TOGETHER WITH the North 1/2 of the alley (now abandoned lying between the Southerly production of the West line of West 1/2 of Lot4 and the Southerly production of Easterly line of the West 1/2 of Lot 4 in the Block bounded by "A" and North "B" Twelfth and Thirteenth Streets, according to the official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in Book 1 of Maps, Map No. 8, records of said County. APN: 002-0041-021-0000

EXHIBIT B
FORM OF GRANT DEED

RECORDING REQUESTED BY:

[INSERT]

WHEN RECORDED MAIL TO AND MAIL TAX STATEMENTS TO:

[INSERT]

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

The Undersigned Grantor(s) Declare(s):

Documentary Transfer Tax is \$ _____; City Transfer tax is: \$ _____

computed on full value of interest or property conveyed, or

computed on full value less value of liens or encumbrances remaining at time of sale

unincorporated area, or City of Sacramento

Tax Parcel No. – See Exhibit A hereto

Exempt from the \$75 fee under Government Code section 27388.1(a)(2); recorded in connection with a transfer subject to the imposition of a documentary transfer tax.

In 2011, the California legislature enacted AB 1X 26 which, coupled with a subsequent decision of the Supreme Court of California, resulted in the dissolution of redevelopment agencies, including the Redevelopment Agency of the City of Sacramento (“RACS”), a public body, corporate and politic, as of February 1, 2012, and the transfer of all assets, properties, contracts and leases of RACS to its successor agency; and

By Sacramento City Council Resolution No. 2012-018 dated January 31, 2012, the City of Sacramento (“City”) affirmatively elected to serve as the successor agency to RACS. As successor agency, City designated the Housing Authority of the City of Sacramento (“HACS”) as the successor housing agency to retain housing-assets and housing-functions previously performed by RACS; and

By HACS Resolution No. 2012-001 dated January 31, 2012, HACS affirmatively elected to serve as the successor housing agency to RACS.

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, **HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body, corporate and politic, as successor-in-interest to the Redevelopment Agency of the City of Sacramento (“Grantor”), hereby grants to **[BUYER]** (“Grantee”), the following real property located in the City of Sacramento, County of Sacramento, State of

California (the “Property”), as further described on Exhibit A attached hereto, together with all rights, benefits, easements and appurtenances held by Grantor therein, if any.

This grant is made expressly subject to the following:

Grantee hereby covenants and agrees that Grantee, and its successors and assigns shall use, and maintain the Property solely for as a shelter for the homeless. The foregoing covenant shall run with the land for thirty (30) years from the recording date of this Grant Deed.

[Signatures on Next Page]

IN WITNESS WHEREOF, Grantor has executed this Grant Deed as of the date set forth below.

GRANTOR: **HOUSING AUTHORITY OF THE CITY OF SACRAMENTO**, a public body, corporate and politic, as successor-in-interest to the Redevelopment Agency of the City of Sacramento

By: _____
La Shelle Dozier, Executive Director

Date: _____

APPROVED AS TO FORM:

By: _____
Agency Counsel

[Notary Acknowledgment on Next Page]

CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)

COUNTY OF _____)

On _____, before me, _____,
Notary Public, personally appeared _____

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

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

WITNESS my hand and official seal.

Signature: _____

(Seal)

EXHIBIT A TO GRANT DEED

Legal Description

The West one-half of Lot 4, Block 13, also described as in the Block bounded by "A" and North "B", Twelfth and Thirteenth Streets, according to the Official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in the office of the County Recorder of Sacramento County, April 24, 1850, in Book 1 of Maps, Map No. 8. TOGETHER WITH the North 1/2 of the alley (now abandoned lying between the Southerly production of the West line of West 1/2 of Lot4 and the Southerly production of Easterly line of the West 1/2 of Lot 4 in the Block bounded by "A" and North "B" Twelfth and Thirteenth Streets, according to the official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in Book 1 of Maps, Map No. 8, records of said County. APN: 002-0041-021-0000

EXHIBIT C

LIST OF DOCUMENTS AND MATERIALS

1.

**SELLER CARRY-BACK LOAN AGREEMENT
SALVATION ARMY**

ARTICLE I TERMS AND DEFINITIONS:

“EFFECTIVE DATE”	October 9, 2024	Which is the date as of which this Loan Agreement shall be effective.
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LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. This Loan Agreement includes Article II Loan Provisions and the attachments and Exhibits listed below, all of which are incorporated in this Loan Agreement by this reference. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I Terms and Definitions and as defined in Article II Loan Provisions. (Terms being defined are indicated by quotation marks. If an item in this Article I table is marked “None,” “Not Applicable,” “N/A” or equivalent or is left blank, that defined term is not applicable to this Loan Agreement or the referenced item is not required or is not included in this Loan Agreement, as the context may indicate.) Lender is making the Loan pursuant to the terms and conditions of this Loan Agreement.

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

“LENDER”			The following public agency that is making the Loan, and whose legal status and address are:		
Name			Housing Authority of the City of Sacramento		
Legal Status			A public body, corporate and politic		
Principal Address			801 12th Street, City of Sacramento, Sacramento County, California 95814		
“BORROWER”			The borrower of the Loan Proceeds whose name, legal status and address are:		
Name			Salvation Army		
Legal Status			501(c)3		
Principal Address			30840 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275		
“LOAN”			The Loan made by this Loan Agreement.		
“LOAN COMMITMENT”		Lender’s loan commitment, made by letter dated as of	October 8, 2024		
“LOAN PROGRAM”		Lender’s Loan Program, commonly known as	Seller Carry Back Loan Program		
“LOAN AMOUNT”		Three Hundred Ten Thousand Dollars and No Cents (\$310,000.00)			
“INTEREST RATE”		The interest rate is 0% per year, simple interest.			
“MATURITY DATE”		Close of escrow for the funding of the permanent loans for the Project.			
“PAYMENT START DATE”		November 1, 2024			
“PAYMENT SCHEDULE”		Payable Annually commencing on the Payment Start Date and continuing on thereafter, through and including November 1, 2054			
“SPECIAL TERMS”		NA			

B. “Collateral” The Collateral securing repayment of the Loan, which Collateral consists of the following

“PROPERTY”		The following described real property, which is security for the Loan:	
Address		1224 North B Street	
Assessor’s Parcel Number		002-0041-021-0000	
“Legal Description”		The Property is situated in the State of California, County of Sacramento, and is more particularly described in Exhibit: Legal Description attached and incorporated by reference.	
Borrower’s Title Interest		Borrower has fee interest in the Property or, if the Additional Escrow Instructions so indicate, Borrower will acquire fee interest in the Property at Close of Escrow.	

C. "ESCROW INFORMATION":		
"Title Company" and "Escrow Agent"	Placer Title Company	Which is the title company that will issue the Title Policy and that will act as Escrow Agent for the Escrow
"Escrow"	The escrow with Escrow Agent	
"Closing Date"	***Closing Date***	Which is the date for close of the Escrow, as it may be extended

D. "LIST OF EXHIBITS" (The following are attached and incorporated in this Loan Agreement):	
EXHIBIT	DEFINED TERM
<u>Exhibit: Legal Description</u>	"Legal Description"
<u>Exhibit: Note Form</u>	"Note"
<u>Exhibit: Trust Deed Form</u>	"Trust Deed"
<u>Exhibit: Escrow Instructions</u>	"Escrow Instructions"

F. "ASSIGNED DOCUMENTS" Borrower assigns the following documents to Lender
This Loan Agreement is subject to the Purchase Sale Agreement including without limitation, conditions precedent to funding the Loan or making disbursements of the Loan Proceeds.

ARTICLE II LOAN PROVISIONS

LENDER AND BORROWER HAVE ENTERED THIS LOAN AGREEMENT AS OF THE EFFECTIVE DATE. The capitalized terms in this Loan Agreement shall have the meanings assigned in Article I General Terms and as defined in Section 1 of this Article II Loan Provisions. (Terms being defined are indicated by quotation marks.) Lender is making the Loan pursuant to the Loan Commitment and the terms and conditions of this Loan Agreement.

NOW, THEREFORE, in consideration of their mutual promises, the parties agree as follows:

1. **DEFINITIONS.** Terms not defined in Article I and II of this Loan Agreement shall have the definitions assigned in the Trust Deed. If a definition in Article I refers to an Exhibit that is a document form, the attached document is a true and correct copy of the document referenced. As used in this Loan Agreement, the following terms shall have the following meanings:

1.1. "Business Day" means regularly scheduled business day of Lender. Whenever any payment to be made under this Loan Agreement is due on a day other than a Business Day, it may be made on the next succeeding Business Day, and the resulting extension of time will be included in the computation of payment of interest.

1.2. "Close of Escrow" means the fulfillment of the Escrow terms and conclusion of the Escrow, including, without limitation, the execution of unexecuted documents, the recordation of documents specified for recording, the issuance of title insurance policies, the payment of fees and the delivery of funds and documents as directed in the escrow instructions for the Escrow. The Close of Escrow shall occur on the Closing Date.

1.3. "Default Rate" is the maximum legal interest rate.

1.4. "Escrow" is the escrow with Title Company for the closing of the Loan.

1.5. "Escrow Instructions" means the Escrow Instructions for the Escrow signed by each of the parties to this Loan Agreement.

1.6. “Event of Default” is breach of or default in a party’s obligations under this Loan Agreement, the Trust Deed, the Note and any other instrument that is incorporated in this Loan Agreement or that otherwise secures the repayment of the Loan.

1.7. “Financial Statements” means the certified financial statements of Borrower (and any other persons on whose financial capacity Lender has relied in making this Loan) as may be required by Lender from time to time, including operating statements, balance sheets, and any other financial reports and information that Lender may require.

1.8. “Fixtures” means all fixtures located on or within the Property or now or later installed in or used in connection with any of the Property, including, as applicable and without limitation, all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, built-in refrigerators, and gas and electric machinery, appurtenances, and equipment, whether or not permanently affixed to the Project.

1.9. “Governmental Authority” means the United States of America, the State of California, the County of Sacramento, the City of Sacramento or any other political subdivision, agency, department, commission, board, bureau, or instrumentality of any of them.

1.10. “Governmental Requirement” means any law, ordinance, order, rule, regulation, plan, ruling, determination or requirement of a Governmental Authority.

1.11. “Loan” is the loan from Lender to Borrower made pursuant to this Loan Agreement.

1.12. “Loan Agreement” means this Loan Agreement including Article I and II, all Exhibits attached to this Loan Agreement (which are incorporated in this Loan Agreement by this reference) and the Loan Documents which are not otherwise included in this definition.

1.13. “Loan Documents” means the Note, this Loan Agreement, the Security Documents and all other documents (including guaranties, if any) evidencing, securing, or relating to the Loan.

1.14. “Loan Maturity Date” means the date on which the entire unpaid balance of the Loan, including principal and interest, is due and payable.

1.15. “Loan Proceeds” means funds disbursed by Lender on account of the Loan and pursuant to this Loan Agreement.

1.16. “Note” means that certain promissory note evidencing the Loan and attached hereto as an Exhibit.

1.17. “Permanent Lender” is the lender for the Permanent Loan.

1.18. “Permanent Loan” means the permanent financing obtained by Borrower, which is to be made concurrently with the Loan and which is secured by a senior lien against the Property.

1.19. “Person” means any natural person, corporation, firm, partnership, association, trust, government, governmental agency, or any other entity, whether acting in an individual, fiduciary, or other capacity.

1.20. “Personalty” means, whether or not listed as Additional Collateral, all of Borrower's interest in all accounts, contract rights, and general intangibles (specifically including any insurance proceeds and condemnation awards) arising out of the ownership or operation of the Property, and all furniture, furnishings, equipment, machinery, materials and supplies, leasehold interests in personal property, and all other personal property (other than Fixtures) of Borrower now or later located about the Property, together with all present and future attachments, accessions, replacements, substitutions, and additions, and the cash and noncash proceeds.

1.21. “Potential Default” means an event that would constitute an Event of Default but for any requirement of notice to be given or period of grace or time to elapse.

1.22. "Security Documents" means the Trust Deed, together with all other documents entered into between Borrower and Lender or by Borrower in favor of, or for the benefit of, Lender that recite that they are to secure the Loan.

1.23. "Title Policy" means the title insurance policies to be issued in connection with this Loan, as further defined in the Escrow Instructions.

1.24. "Trust Deed" means that certain Deed of Trust and Assignment of Rents between Borrower, as trustor, and Lender, as beneficiary and trustee, which secures the Note and is attached hereto as an Exhibit.

2. **BORROWER'S REPRESENTATIONS AND WARRANTIES.** As a material inducement to Lender to enter into this Loan Agreement and to make the Loan to Borrower, Borrower unconditionally, and each signatory who signs on its behalf, to the extent of their actual knowledge, represents and warrants to Lender, as of the Close of Escrow, as follows:

2.1. **LEGAL ORGANIZATION.** Borrower is duly formed and validly exists in the form stated in Article I hereof, is qualified to do business in California, and has full power to consummate the transactions contemplated.

2.2. **BORROWER'S POWERS.** Borrower has full power and authority to execute this Loan Agreement, the Note, the Trust Deed, and all of the other Loan Documents, to undertake and consummate the contemplated transactions, and to pay, perform, and observe all of the conditions, covenants, agreements, and obligations.

2.3. **BINDING OBLIGATION.** This Loan Agreement, the Note, the Trust Deed, and each of the other Loan Documents constitute a legal and binding obligation of, and are valid and enforceable against, each party other than Lender, in accordance with the terms of each.

2.4. **LITIGATION.** There are no actions, suits, or proceedings pending or, to the best knowledge of Borrower, threatened against or affecting Borrower, the Property, or any part of it, or involving the validity or enforceability of the Trust Deed, the priority of the lien, or the validity or enforceability of any of the other Loan Documents, at law or in equity, or before or by any Governmental Authority. Borrower is not in default with respect to any order, writ, injunction, decree, or demand of any court or other Governmental Authority.

2.5. **NO VIOLATION.** The consummation of the transactions covered by this Loan Agreement and the payment and performance of all of the obligations in the Loan Documents will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, contract, loan or credit agreement, corporate charter, bylaws, partnership agreement, trust agreement, or other instrument to which Borrower or any of its general partners is a party or by which it or they or the Property may be bound or affected.

2.6. **NO DEFAULT.** There is no Event of Default or Potential Default on the part of Borrower.

2.7. **TITLE TO PROPERTY.** Borrower is the sole legal and beneficial owner of the Property, which is free of all claims, liens, and encumbrances other than those shown in the Title Policy.

2.8. **NO UNAPPROVED LOANS.** Borrower has not received financing for either the acquisition of the Property, the use and operation of the Property, or the permanent financing of the Property except as has been fully disclosed to and approved by Lender in writing.

2.9. **TITLE OF PERSONALTY.** All Personalty is vested solely in Borrower, free of all claims, liens, and encumbrances, and the security interest of Lender in the Personalty is a first lien.

2.10. **TAXES PAID.** Borrower has filed all required Federal, State, County, and City tax returns and has paid all taxes due and owing. Borrower knows of no basis for additional assessments with respect to any taxes, other than the lien of taxes not yet due.

2.11. **CONSTRUCTION QUALITY.** There are no structural defects in the Property that are known to or reasonably should be known to Borrower or its agents and employees, and to the best of Borrower's knowledge, no violation of any Governmental Requirement exists.

2.12. **ACCURACY.** All applications, Financial Statements, reports, documents, instruments, information, and forms of evidence delivered to Lender concerning the Loan or required by this Loan Agreement or any of the other Loan Documents are accurate, correct, and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any untrue statement of a material fact or omit any material fact necessary to make them not misleading.

3. **BORROWER'S COVENANTS AND CONDITIONS.** From the Effective Date until payment and performance in full of all obligations of Borrower under this Loan Agreement, the Note, the Security Documents, and the other Loan Documents or the earlier release of the liens of the Loan Documents (and all related obligations) in accordance with the terms of this Loan Agreement, the Note, the Security Documents, and the other Loan Documents, Borrower hereby covenants and agrees with Lender that:

4. **LOAN.** Lender agrees to lend to Borrower, and Borrower agrees to borrow from Lender, the Loan Amount, to finance the purposes and uses of the Property subject to the terms, conditions, representations, warranties, and covenants, all as stated in this Loan Agreement.

4.1. **PRINCIPAL AMOUNT.** The principal amount of the Loan shall be the Loan Amount.

4.2. **USE OF LOAN PROCEEDS.** Loan Proceeds shall be used solely for acquisition financing and for other purposes as specified in this Loan Agreement.

4.3. **LOAN TERMS.** The Loan is made pursuant to the Loan Program and is subject to the laws, rules and regulations of the Loan Program. Lender agrees to disburse the Loan Proceeds in the manner and subject to the limitations stated in this Loan Agreement. Interest, at the Interest Rate, shall accrue on each disbursement of Loan Proceeds commencing on the date on which each such disbursement is made. Repayment of the loan shall be made, in payments of principal and interest, in lawful tender of the United States, in accordance with the Payment Schedule.

4.4. **NOTE AND SECURITY DOCUMENTS.** The Loan is evidenced by the Note executed by Borrower in favor of Lender and delivered to Lender upon Close of Escrow. Repayment of the Note is secured by the Trust Deed covering the Property. Borrower shall execute, as trustor, the Trust Deed in favor of the Title Company, as trustee, in trust for the benefit of Lender, as beneficiary, and deliver it to Escrow for recordation. The Loan is also secured by the Additional Collateral, if any, as evidenced by the applicable Security Documents.

4.5. **LATE PAYMENT CHARGE.** A late charge of six percent (6%) shall be payable with respect to any payment of principal, interest or other charges, not made within ten (10) days after it is due.

4.6. **ESCROW.** The parties shall open the Escrow promptly after the Effective Date. Escrow shall close as provided in the Escrow Instructions on or before the Closing Date.

4.7.

4.8. **ACCELERATION ON TRANSFER OR REFINANCING OF THE PROPERTY; ASSUMPTION.** Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold, transferred or conveyed to any person, or refinanced by Borrower such that additional debt is added to the Property or the cash flows change without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by the Trust Deed to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the sale or transfer, Lender and the Person to whom the Property is to be sold or transferred reach agreement in writing that the Loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under the Trust Deed and the Note.

5. **PERFORMANCE CONDITIONS.** The following are conditions precedent to performance under this Loan Agreement:

5.1. **CONDITION OF TITLE.** Lender shall cause Escrow Agent to issue to Borrower (with a copy to Lender) the Preliminary Report, together with copies of all documents relating to title exceptions referred to in the Preliminary Report. At Close of Escrow, Lender's Trust Deed shall be a valid lien against the Property securing the Loan and subject to no exceptions to title (of record or off record) other than the exceptions listed in the "Conditions of Title" in the Escrow Instructions.

5.2. CONDITIONS TO LENDER'S PERFORMANCE. Lender's obligation to perform under this Loan Agreement is subject to all of the following conditions: (a) Borrower has performed all of its obligations then to be performed pursuant to this Loan Agreement; (b) Borrower has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (c) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (d) Borrower's representations and warranties in this Loan Agreement are true and correct as of the date of this Loan Agreement and as of the Close of Escrow; (e) this Loan Agreement continues to be in full force and effect, no default on the part of Borrower has occurred under this Loan Agreement, and no event has occurred that, with the giving of notice or the passage of time, will constitute a default by Borrower under this Loan Agreement; and (f) Lender has approved the Approval Documents.

5.3. CONDITIONS TO BORROWER'S PERFORMANCE. Borrower's obligation to perform under this Loan Agreement is subject to satisfaction of all of the following conditions: (a) the closing conditions as defined in the Escrow Instructions have been fulfilled as of Close of Escrow; (b) Lender has met the Additional Conditions to Close of Escrow and applicable Special Provisions, if any; (c) Lender's representations and warranties in this Loan Agreement are correct as of the date of this Loan Agreement and as of the Close of Escrow; and (d) this Loan Agreement continues to be in full force and effect, and no default on the part of Lender has occurred under this Loan Agreement.

6. RELOCATION. Lender is required by law to provide relocation services and make relocation payments to eligible tenants displaced as a result of Lender's involvement in the Property. Borrower shall comply fully with all relocation laws that are the obligation of Lender or are otherwise applicable to the Property. Borrower's compliance with the relocation requirements as stated in this Section 6 is a material element of this Loan. Borrower's failure to comply with the relocation requirements as stated in this Section 6 is an Event of Default.

6.1. RELOCATION COSTS. Unless otherwise stated in this Loan Agreement, any amounts paid by Lender for relocation costs and services shall be considered advances under the Loan.

6.2. COOPERATION AND ACCESS. Borrower shall cooperate fully with Lender in complying with such relocation laws, including without limitation, providing Lender access to all tenants of the Property, to all books and records related to the tenants of the Property and to all properties offered for temporary or permanent relocation. Prior to taking any action with respect to relocation of tenants, Borrower shall meet with Lender to establish reasonable protections for tenants and related reporting requirements for Borrower.

6.3. BORROWER AS RELOCATION AGENT. With the approval of Lender, Borrower may act as Lender's agent in accomplishing such relocation. Lender and Borrower by memorandum in writing shall establish their respective duties related to such relocation. If Lender and Borrower agree that Borrower will act as Lender's agent for purposes of this Loan, Borrower may enter into agreements for the provision of relocation services, or Borrower may perform such services directly. Borrower shall, by provisions in its agreements or by direction to its staff, assure that the entity performing the relocation services (a) shall comply with all applicable law, (b) shall fully inform Lender of all relocation activities, (c) shall make all requests for direction or clarification to Lender, and (d) shall respond to and follow Lender's instruction and direction.

7. ADDITIONAL SECURITY INSTRUMENTS. Upon request by Lender, Borrower shall execute and deliver to Lender a security instrument in favor of Lender naming as secured property all contracts related to the Property and all other property of any kind owned by Borrower and used primarily in connection with the Property. Lender may require such instrument at any time, and from time to time may require additions of new contracts and other property. Borrower irrevocably assigns to Lender, effective upon Lender's written demand, as security for the due performance of this Loan Agreement all of its right, title, and interest in the Assigned Documents.

8. CONDITIONS PRECEDENT TO LOAN DISBURSEMENT. The obligation of Lender to make any disbursements of Loan Proceeds shall be subject to the following conditions precedent:

8.1. No Event of Default or Potential Default of Borrower has occurred and is continuing;

8.2. If requested by Lender, Borrower has furnished to Lender an endorsement to the Title Policy showing no intervening liens or encumbrances on the Property and insuring the full disbursement, together with a satisfactory report under the California Uniform Commercial Code showing no liens or interests in Personalty other than those of Lender;

8.3. The Property, and all fixtures and furnishings installed on or acquired for the Property are owned by Borrower free of any liens, encumbrance, or other interests of any kind other than Lender's lien or security interest;

8.4. The representations and warranties in the Loan Documents are correct as of the date of the requested disbursement;

8.5. Borrower has paid Lender all commitment, loan, and other fees then due, and Borrower has submitted to, and Lender has approved in writing, all documents, records, statements, certificates, reports, and other materials and information then required to be submitted to Lender for approval under this Loan Agreement;

8.6. Borrower shall provide assurances, satisfactory to Lender in its sole discretion, that hazardous materials are not present on the Property or that any hazardous materials on the Property will be remediated and that no further remediation is then required by the environmental agency having responsibility for monitoring such remediation;

8.7. Borrower has delivered to Lender all funds, documents, instruments, policies, evidence of satisfaction of conditions, and other materials then due or otherwise requested by Lender under the Loan Documents;

8.8. There is no legal action threatened or pending against Borrower or affecting the Property or any Additional Collateral;

8.9. All conditions to Close of Escrow have been satisfied in accordance with the Loan Agreement;

8.10. Borrower has obtained and Lender has approved a loan approval from a financial institution (or other lender approved by Lender in its sole discretion) to make the Permanent Loan, which provides (a) that it is subject only to those conditions which are usual and customary in the industry and which can be satisfied by the proposed closing date of the Permanent Loan; (b) that it is in full force with no default by any party; and (c) that Lender will have notice of, and a reasonable opportunity to cure, any Borrower defaults;

8.11. The Permanent Lender's commitment to make the Permanent Loan is in full force, has not been modified and no event has occurred that with notice or the passage of time or both could result in the termination of it. Nothing in the Permanent Loan commitment, or submissions and approvals made under it, conflicts with this Loan Agreement. Borrower has done all things necessary to keep unimpaired its rights under the Loan Commitment;

8.12. Borrower has filed all tax returns required to be filed and paid all taxes due, which, if unfiled or unpaid, might adversely affect Lender's security under the Security Documents; and

8.13. Borrower has provided proof of all insurance required by this Loan Agreement.

9. **MAKING DISBURSEMENT.** Lender shall be deemed to have disbursed the Loan Proceeds, net of all costs which are payable directly by Lender to itself or a third-party pursuant to this Loan Agreement, at Close of Escrow, subject to fulfillment of the conditions precedent as stated in Section 8.

10. **REDUCTION FOR OTHER LOANS.** In the event that Borrower receives other financing in excess of the amounts shown in the Budget, the Loan Amount shall be reduced by such excess amount, and Borrower shall immediately repay any Loan Proceeds disbursed that are in excess of the Loan Amount as reduced herein. If Borrower fails to make such repayment within ten (10) business days of Lender's demand, the Loan shall be considered to be in default.

11. **DEFAULTS**

11.1. **EVENTS OF DEFAULT.** At the option of Lender, each of the following events will constitute a default (each an "Event of Default"):

11.1.1. The occurrence of an event of default under any of the Loan Documents;

11.1.2. Borrower's failure to comply with any Governmental Requirement; provided, however that Borrower's right to challenge the Governmental Requirement is not abridged;

11.1.3. Borrower's failure to keep in full force any permit, license, consent, or approval with respect to the occupancy or use of the Property, unless Borrower has renewed the same or otherwise cured the lapse prior to Lender's issuance of a notice of the default;

11.1.4. The filing of any lien against the Property, if the claim of lien continues for thirty (30) days without discharge, satisfaction, or the making of provision for payment (including bonding) to the satisfaction of Lender; and

11.1.5. The attachment, levy, execution, or other judicial seizure of any portion of the Property, or any substantial portion of the other assets of Borrower, that is not released, expunged, bonded, discharged, or dismissed within thirty (30) days after the attachment, levy, execution, or seizure.

12. REMEDIES

12.1. **OPTION TO ACT.** On the occurrence of any Event of Default, in addition to its other rights in this Loan Agreement or in any of the other Loan Documents, at law, or in equity, Lender may, without prior demand, exercise any one or more of the following rights and remedies:

12.1.1. Declare the Note and all other sums owing to Lender with respect to the other Loan Documents immediately due;

12.1.2. Make any disbursements after the happening of any one or more of the Events of Default, without waiving its right to demand payment of the Note and all other sums owing to Lender with respect to the other Loan Documents or any other rights or remedies and without liability to make any other or further disbursements, regardless of Lender's previous exercise of any rights and remedies;

12.1.3. Proceed as authorized at law or in equity with respect to the Event of Default, and in connection with that, remain entitled to exercise all other rights and remedies described in this Loan Agreement or the Trust Deed; and

12.1.4. Make any unauthorized payment from Loan Proceeds or other funds of Lender that may be reasonably necessary to protect Lender's rights under this Loan Agreement.

12.1.5. Recover its funds expended in exercising or enforcing any of its rights or remedies under any of the Loan Documents, together with interest at the Default Rate from the date the funds were spent until repaid which amounts will be deemed secured by the Trust Deed.

12.2. **RIGHTS CUMULATIVE, NO WAIVER.** All of Lender's rights and remedies provided in this Loan Agreement or in any of the other Loan Documents are cumulative and may be exercised by Lender at any time. Lender's exercise of any right or remedy will not constitute a cure of any Event of Default unless all sums then due to Lender under the Loan Documents are repaid and Borrower has cured all other Events of Default. No waiver will be implied from Lender's failure to take, or delay in taking, any action concerning any Event of Default or from any previous waiver of any similar or unrelated Event of Default. Any waiver under any of the Loan Documents must be in writing and will be limited to its specific terms.

12.3. **DISCLAIMER.** Whether Lender elects to employ any of the remedies available to it in connection with an Event of Default, Lender will not be liable for the failure to protect the Property; the payment of any expense incurred in connection with the exercise of any remedy available to Lender; or the performance or nonperformance of any obligation of Borrower.

13. **FIRE, HAZARD AND EXTENDED COVERAGE INSURANCE.** For the duration of Loan Agreement, Borrower shall obtain and maintain fire and hazard insurance to the full insurable value of the Property with endorsements of extended coverage, vandalism, and malicious mischief, and with such other endorsements and in such amounts as Lender may reasonably require to protect the Property. In the event of damage to the Property and subject to the requirements of Lender, Borrower shall use the proceeds of such insurance to reconstruct the Property and the public improvements.

13.1. **INSURANCE PROVISIONS.** Each policy of insurance required under this Loan Agreement shall be obtained from a provider licensed to do business in California and having a current Best's Insurance Guide rating of A+VII or better, or such other equivalent rating, as may reasonably be approved by Lender's legal counsel. Each policy shall bear an endorsement

precluding cancellation or termination of the policy or reduction in coverage unless Lender has been given written notice of such intended action at least thirty (30) days prior to its effective date.

13.2. **FAILURE TO MAINTAIN.** If Borrower fails to obtain or maintain, or cause to be obtained and maintained, any insurance required by this Loan Agreement, Lender shall have the right to purchase the insurance on Borrower's behalf, and Borrower shall promptly reimburse the full cost of such insurance to Lender. If Borrower fails to reimburse Lender for insurance, the amount of unpaid reimbursement shall bear interest, at the maximum rate permissible under the law, until paid.

14. MISCELLANEOUS.

14.1. **NONRECOURSE.** Notwithstanding any provision of this Loan Agreement or any document evidencing or securing this Loan, Borrower, and Borrower's principals, agent, officer, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan.

14.2. **FEDERAL REQUIREMENTS.** If any Loan Program is federally funded, Borrower shall comply with all laws, rules, regulations and funding requirements that govern the use of such funds. Lender, to the extent required by law, shall cooperate with and assist Borrower in fulfillment of such obligations. If Lender, as a result of actions of the Borrower, shall be obligated to repay the Loan Program any amount of the Loan Proceeds, Borrower shall make such repayment on account of Lender and failure to do so shall be an Event of Default.

14.3. **NATURE OF REPRESENTATIONS AND WARRANTIES.** Borrower certifies to Lender that all representations and warranties made in this Loan Agreement and all other Loan Documents are true and correct in all material respects and do not contain any untrue statement of a material fact or omit any material fact necessary to make the representations and warranties not misleading. All representations and warranties will remain true and correct in all material respects and will survive so long as any of Borrower's obligations have not been satisfied or the Loan or any part of it remains outstanding, and for any applicable statute of limitations period. Each request by Borrower for a disbursement will constitute an affirmation that all representations and warranties remain true and correct as of the date of that request. Each representation and warranty made in this Loan Agreement, in any other Loan Documents, and in any other document delivered to Lender by Borrower, will be deemed to have been relied on by Lender, regardless of any investigation, inspection, or inquiry made by Lender or any related disbursement made by Lender. The representations and warranties that are made to the best knowledge of Borrower have been made after diligent inquiry calculated to ascertain the truth and accuracy of the subject matter of each representation and warranty.

14.4. **NO WAIVER.** No failure or delay on the part of Lender in exercising any right or remedy under the Loan Documents will operate as a waiver nor will Lender be estopped to exercise any right or remedy at any future time because of any such failure or delay. No express waiver will affect any matter other than the matter expressly waived and that waiver will be operative only for the time and to the extent stated. Waivers of any covenant, term, or condition in this Loan Agreement will not be construed to waive any subsequent breach of the same covenant, term, or condition.

14.5. **NO THIRD PARTIES BENEFITED.** This Loan Agreement is made and entered into for the sole protection and benefit of the parties and their permitted successors and assigns, and no other Person will have any right of action or any rights to funds at any time on deposit in any construction account or impound account, if established.

14.6. **NOTICES.** Borrower irrevocably appoints Lender as its agent (the agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interests under this Loan Agreement or under the Loan Documents. All notices to be given under this Loan Agreement shall be in writing and sent to the addresses stated above by one or more of the following methods:

14.6.1. Certified mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail;

14.6.2. A nationally recognized overnight courier, by priority overnight service, in which case notice shall be deemed delivered one (1) business day after deposit with that courier;

14.6.3. Hand delivery with signed receipt for delivery from a person at the place of business of the receiving party and authorized to accept delivery for the receiving party, in which case notice shall be deemed delivered upon receipt, or

14.6.4. Telecopy, if a copy of the notice is also sent the same day by United States Certified Mail, in which case notice shall be deemed delivered one (1) business day after transmittal by telecopier, provided that a transmission report is automatically generated by the telecopier reflecting the accurate transmission of the notices to receiving party at the "Fax Number" given in the Escrow Attachment or to such other address as Borrower or Lender may respectively designate by written notice to the other.

14.7. **ACTIONS.** Lender will have the right to commence, appear in, or defend any action or proceeding purporting to affect the rights, duties, or liabilities of the parties, or the disbursement of any funds under this Loan Agreement. In connection with that, Lender may incur and pay costs and expenses, including, without limitation, reasonable attorney fees. Borrower agrees to pay to Lender on demand all these expenses, and Lender is authorized to disburse funds from any account for that purpose. This Section does not apply to actions or proceedings between the parties.

14.8. **ASSIGNMENT.** The terms of this Loan Agreement will be binding on and inure to the benefit of successors and assigns of the parties. However, Borrower shall not assign this Loan Agreement or any interest it may have in the monies due or, except as otherwise provided, convey or encumber the Property or any Personalty or Fixtures now or later on the Property without the prior written consent of Lender. Notwithstanding the foregoing, if there is an assignment, conveyance, or encumbrance, Lender may nevertheless at its option continue to make disbursements under this Loan Agreement to Borrower or to those who succeed to Borrower's title, and all sums so disbursed will be deemed to be disbursements under this Loan Agreement and not modifications, and will be secured by the Security Documents. Lender may at any time assign the Loan Documents to any affiliate of Lender or to a national bank or other equivalent lender, and the assignee will assume the obligations of Lender, and Lender will have no further obligation of any nature. In that case, the provisions of this Loan Agreement will continue to apply to the Loan, and the assignee will be substituted in the place and stead of Lender, with all rights, obligations, and remedies of Lender, including, without limitation, the right to further assign the Loan Documents. In addition, Lender may at any time assign a participation in the Loan to any other party, provided that Lender continues to be primarily obligated under this Loan Agreement.

14.9. **PREPAYMENT.** Borrower may prepay the Loan only on and subject to the terms and conditions in the Note. Borrower shall have no rights to receive, and under no circumstances will Borrower receive repayment of any fees previously paid to Lender.

14.10. **BORROWER, LENDER RELATIONSHIP.** The relationship between Borrower and Lender is, and will at all times remain, solely that of borrower and lender, and Lender neither undertakes nor assumes any responsibility for or duty to Borrower.

14.11. **NO JOINT VENTURE, PARTNERSHIP, OR OTHER RELATIONSHIP.** Nothing contained in this Loan Agreement or in any other document executed in connection with this Loan Agreement shall be construed as creating a joint venture or partnership between Lender and Borrower. Each Party is acting as an independent entity and not as an agent of the other in any respect. No relationship exists as between Lender and Borrower other than that of a lender and a borrower.

14.12. **CONTROLLING LAW; VENUE.** The Loan Documents will be governed by and construed in accordance with California law. The venue for any legal action or proceeding will be in the County of Sacramento, California

14.13. **CONSENTS AND APPROVALS.** All consents and approvals by Lender required or permitted by any provision of this Loan Agreement will be in writing. Lender's consent to or approval of any act by Borrower requiring further consent or approval will not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act.

14.14. **SURVIVAL OF WARRANTIES AND COVENANTS.** The warranties, representations, conditions, covenants, and agreements in this Loan Agreement and in the other Loan Documents will survive the making of the Loan and the execution and delivery of the Note and will continue in full force until the Loan has been paid in full. Nothing in this Section is intended to limit any other provision of the Loan Documents that by their stated terms survive the repayment of the Loan or the termination of any Loan Document.

14.15. **RECORDING AND FILING.** Borrower, at its expense, will cause the Security Documents and all supplements to be recorded and filed and re-recorded and re-filed in any manner and in any places as Lender will reasonably request, and will pay all recording, filing, re-recording, and re-filing taxes, fees, and other charges.

14.16. **LOAN EXPENSES.** In making the first disbursement, Lender may, at its option, deduct from the proceeds of that disbursement a sum equal to the aggregate of the following, to the extent Lender has knowledge of it and demand has been made on Lender at the time of the deposit: all expenses specifically incurred in connection with the Loan or the preparation, execution, and delivery of the Loan Documents, including, but not limited to, recording costs and expenses, transfer and other taxes (if any), surveys, appraisal fees, title and hazard insurance premiums, recording, notary, and escrow charges, and all other similar, usual, or customary loan closing charges and expenses; and any other budgeted expenses that have been approved by Lender in writing; and Lender will, for the benefit of Borrower, pay those amounts over to the respective parties on whose behalf the demands will have been received by Lender. Borrower will pay directly any expenses in connection with the Loan not so paid by Lender, including, without limitation, any of the expenses specified above, and will hold Lender free from any cost, liability, or obligation of any nature in connection with it, including reasonable attorney fees incurred by Lender. Borrower further agrees to pay on demand all out-of-pocket costs and expenses reasonably incurred by Lender including, without limitation, the fees and disbursements of Lender's outside counsel, in connection with: (i) the administration of the Loan, including, without limitation, all approvals or consents given or contemplated to be given under the Loan Documents, all amendments to the Loan Documents entered into by Lender or requested by any party to the Loan Documents, and all title insurance policies and endorsements required by Lender, and (ii) the enforcement of any rights or remedies under the Loan Documents, whether any action or proceeding is commenced, or the protection of the security, or interests of Lender under the Loan Documents. All costs and expenses, together with interest at Interest Rate, will form a part of the indebtedness and will be secured by the Security Documents.

14.17. **NO REPRESENTATIONS BY LENDER.** By accepting or approving anything required to be observed, performed, or fulfilled, or to be given to Lender pursuant to this Loan Agreement or pursuant to the Loan Documents, including, but not limited to, any officer's certificate, balance sheet, statement of income and expense, or other Financial Statement, survey, appraisal, or insurance policy, Lender will not be deemed to have warranted or represented the sufficiency, legality, effectiveness, or legal effect of it or of any particular term, provision, or condition of it, and any acceptance or approval will not be or constitute any warranty or representation by Lender.

14.18. **AMENDMENT.** The Loan Documents and the terms of each of them may not be modified, waived, discharged, or terminated except by a written instrument signed by the party against whom enforcement of the modification, waiver, discharge, or termination is asserted.

14.19. **TERMINATION.** Except as otherwise provided in the Loan Documents, all rights and obligations under this Loan Agreement will terminate except as to any accrued obligations effective on the payment of all Loan owing by Borrower to Lender.

14.20. **COUNTERPARTS.** The Loan Documents may be executed in any number of counterparts and by different parties in separate counterparts, each of which when executed and delivered will be deemed an original and all of which counterparts taken together will constitute one and the same instrument.

14.21. **SEVERABILITY.** If any term, provision, covenant, or condition or any application is held by a court of competent jurisdiction to be invalid, void, or unenforceable, all terms, provisions, covenants, and conditions and all applications not held invalid, void, or unenforceable will continue in full force and will in no way be affected, impaired, or invalidated.

14.22. **CAPTIONS.** All Article and Section headings in the Loan Documents are inserted for convenience of reference only and do not constitute a part of the Loan Documents for any other purpose.

14.23. **INDEMNITY.** Borrower agrees to defend, indemnify, and hold Lender harmless from all losses, damages, liabilities, claims, actions, judgments, costs, and reasonable attorney fees that Lender may reasonably incur as a direct or indirect consequence of the making of the Loan, Borrower's failure to perform any obligations as and when required by this Loan Agreement or any of the other Loan Documents, the failure at any time of any of Borrower's representations or warranties to be true and correct, or any act or omission by Borrower, any contractor, subcontractor, engineer, architect, or other Person with respect to the Property, or any portion of it. Borrower will pay immediately on Lender's demand any amounts owing under this indemnity, together with interest at the lesser of the Default Rate or the maximum rate permitted by law from the date Lender makes a payment or incurs a loss. Borrower's duty to indemnify Lender will survive the release and cancellation of the Note and the reconveyance or partial reconveyance of the Trust Deed.

14.24. **FURTHER ASSURANCES.** At Lender's request and at Borrower's expense, Borrower will execute, acknowledge, and deliver all other instruments and perform all other acts necessary, desirable, or proper to carry out the purposes of the Loan Documents or to perfect and preserve any liens created by the Loan Documents.

14.25. **DISCLOSURE OF INFORMATION.** If Lender elects to sell the Loan, Lender may forward to the buyer of the Loan all documents and information related to the Loan in Lender's possession, including without limitation all Financial Statements, whether furnished by Borrower or otherwise.

14.26. **LENDER'S AGENTS.** Lender may designate agents or independent contractors to exercise any of Lender's rights under the Loan Documents. Any reference to Lender in any of the Loan Documents will include Lender's employees, agents, and independent contractors.

14.27. **INTEGRATION AND INTERPRETATION.** The Loan Documents contain or expressly incorporate by reference the entire agreement between Lender and Borrower with respect to the covered matters and supersede all prior negotiations. Any reference to the Property in any of the Loan Documents will include all or any portion of them. Any reference to the Loan Documents themselves in any of the Loan Documents will include all amendments, renewals, or extensions approved by Lender.

14.28. **NUMBER, IDENTITY AND GENDER.** When the context and construction so require, all words used in the singular will be deemed to have been used in the plural and vice versa. When the context and construction so require, all words which indicate a gender will be deemed to have been used to indicate the gender as indicated by the context.

[Signatures appear on the following page.]

THE PARTIES HAVE EXECUTED THIS LOAN AGREEMENT in Sacramento, California as of the date first written above.

BORROWER : SALVATION ARMY

By: _____
Developer signatory
Developer signatory title

LENDER: HOUSING AUTHORITY OF THE CITY OF SACRAMENTO

By: _____
La Shelle Dozier, Executive Director

Approved as to form:

Lender Counsel

LEGAL DESCRIPTION

The West one-half of Lot 4, Block 13, also described as in the Block bounded by "A" and North "B", Twelfth and Thirteenth Streets, according to the Official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in the office of the County Recorder of Sacramento County, April 24, 1850, in Book 1 of Maps, Map No. 8. TOGETHER WITH the North 1/2 of the alley (now abandoned lying between the Southerly production of the West line of West 1/2 of Lot4 and the Southerly production of Easterly line of the West 1/2 of Lot 4 in the Block bounded by "A" and North "B" Twelfth and Thirteenth Streets, according to the official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in Book 1 of Maps, Map No. 8, records of said County. APN: 002-0041-021-0000

PROMISSORY NOTE
FOR SALVATION ARMY
SELLER CARRY-BACK LOAN

BORROWER HAS MADE THIS PROMISSORY NOTE (“NOTE”) AS OF THE EFFECTIVE DATE. The Lender is making the Loan pursuant to the terms and conditions of the Loan Agreement and this Note. This Note includes all attachments and Exhibits listed below, which are attached to and incorporated in this Note by this reference. The capitalized terms in this Note shall have the meanings assigned in the following table of definitions and as defined in the body of the Note. (Terms being defined are indicated by quotation marks. If an item in the table is marked “None, Not Applicable, N/A or equivalent or is left blank, that defined term is not applicable to this Note or the referenced item is not required or is not included in this Note as the context may indicate.) The Lender is making the Loan to Borrower in consideration of Borrower making this Note and delivering it to Lender.

For purposes of this Note, the following terms shall have the following meanings:

DEFINED TERM:	DEFINITION:
“Effective Date”	***Effective Date***
“Lender”	Housing Authority of the City of Sacramento
“Borrower”	Salvation Army
“Borrower Legal Status”	501(c)3
“Loan Agreement”	The Loan Agreement between the Borrower and Lender as of the Effective Date for making of the loan (“Loan”) evidenced by this Note.
“Principal Amount”	Three Hundred Ten Thousand Dollars and No Cents (\$310,000.00)
“Interest Rate”	The interest rate is 0% per year, simple interest.
“Accrual Date”	Interest shall accrue starting on the following “Accrual Date”:
“Special Terms”	NA
PAYMENT SCHEDULE. Repayment of this Note shall be made as follows:	
“Maturity Date”	November 1, 2054
“Payment Start Date”	November 1, 2024
“Payment Amount(s)”	The Loan balance shall be payable annually , in equal installments commencing on the Payment Start Date and continuing , through November 1, 2054.
	Annually on November 1, 2024 through November 1, 2054

FOR VALUE RECEIVED, THE UNDERSIGNED, JOINTLY AND SEVERALLY, PROMISES TO PAY to Lender, or its successors or assigns, the Principal Amount or such lesser amount as may be endorsed on this Note on behalf of Lender. The Loan shall bear interest on the outstanding principal balance, computed from the Accrual Date at the Interest Rate.

1. This Note evidences the obligation of Borrower to Lender for repayment of the Loan. The terms and covenants of the Loan Agreement are incorporated in this Note by reference. The Loan Agreement provides for and incorporates the Regulatory Agreement (as defined in the Loan Agreement), the making of which is further consideration for this Note.
2. Borrower shall make payments monthly in the amounts shown in the Payment Schedule, on the first day of each month, beginning on the First Payment Date and continuing for the number of payments shown in the Payment Schedule. On the Maturity Date, the unpaid balance of said principal sum, if any, together with all unpaid interest, fees and charges due, if any, shall become due and payable. All payments on this Note shall be applied first to fees and charges due under the Loan Agreement, if any, then to interest and then to the principal due on this Note. Borrower shall make the payments to the Lender at 801 12th Street, Sacramento, CA 95814, or to such other person or organization as may be designated by Lender to Borrower and noticed as provided in the Loan Agreement.
3. If any installment under this Note is not received by Lender within fifteen (15) calendar days after the installment is due, Borrower shall pay to Lender a late charge of five percent (5%) of such installment. Such late charge shall be immediately due and payable without demand by Lender.
4. This Note is secured by a Deed of Trust and Assignment of Rents against the real property described in the Loan Agreement (“Property”), recorded in the office of the County Recorder of Sacramento County ("Trust Deed"). The Trust Deed securing this

Note provides that Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable, if any interest in the Property is refinanced, sold, hypothecated, transferred or conveyed to any person, whether voluntarily or involuntarily. The Trust Deed further provides that if Borrower does not comply with the requirements of the Regulatory Agreement and fails to come into compliance with the Regulatory Agreement within thirty (30) days after Lender's written notice to Borrower of such failure, Lender may at its option, declare all funds secured by the Trust Deed immediately due and payable.

5. Lender and Borrower shall comply with and fulfill the Special Terms.

6. Upon occurrence of any one or more of the following, Lender may, at its sole discretion, declare all unpaid principal immediately due and payable, together with all unpaid interest at the stated rate from the date of the advancement of the Loan's proceeds, subject to applicable cure periods, if:

a. Borrower defaults in the payment of any principal or interest when due.

b. Lender discovers that Borrower, in any application to Lender in connection with the Loan, either (i) failed to disclose, or (ii) misrepresented any fact that would have prevented Borrower from being eligible for the Loan.

c. Lender discovers that Borrower has made any misrepresentations or has intentionally withheld any fact in the making or continuation of this Loan, the knowledge of which could have affected the decision of Lender to make the Loan.

d. Borrower defaults or breaches any of the terms of Loan Agreement, the Trust Deed, or this Note.

e. Borrower fails to perform any covenant, term or condition in any instrument creating a lien upon the Property which is the security under the Trust Deed, or any part thereof, which lien shall have priority over the lien of the Trust Deed securing this Note.

f. The sale, transfer of title, conveyance or further encumbrance of the Property, whether by sale, exchange, gift, inheritance or other means, without prior written consent of Lender.

g. Any of the following occur:

1) Borrower becoming insolvent or bankrupt or being unable or admitting, in writing, Borrower's inability to pay debts as they mature or making a general assignment of or entering into any restructure payment arrangement with creditors.

2) Proceedings for the appointment of a receiver, trustee or liquidator of the assets of Borrower or a substantial part of such assets, being authorized or instituted by or against the Borrower.

3) Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction being authorized or instituted against Borrower.

7. No waiver of any default or breach by Borrower under this Note shall be implied from any omission by Lender to take action on account of such default, and no express waiver shall affect any default, other than the default specified in the waiver. Such waiver shall be in writing and shall be operative only for the time and to the extent therein stated.

8. Borrower may prepay this Note in full or in part at any time, without any prepayment penalty being charged by Lender.

9. During the existence of default or delinquency under the terms of this Note or the Trust Deed, the Lender is expressly authorized to apply all payments made on this Note to the payment of all or part of the delinquency, as it may elect.

10. Subject to the provisions of this Section 10, and notwithstanding any provision of the Loan Documents other than this Section 10, the personal liability of Borrower, and Borrower's principals, partners, members, agents, officers, and successors in interest, to pay the principal of and interest on the debt evidenced by this Note and any other agreement evidencing Borrower's obligations under this Note shall be limited to (a) the Collateral (as defined in the Loan Agreement), (b) the personal property described in and pledged under any Loan Document, and (c) the rents, profits, issues, products and income of the Property, including any received or collected by or on behalf of Borrower after an Event of Default under the Loan Documents.

11. Borrower shall pay to Lender all costs of enforcement of all or any portion of this Note, the Trust Deed, and the Regulatory Agreement, including attorney's fees, witness fees, investigator fees and court costs, incurred by Lender, whether or not litigation is commenced.

IN WITNESS WHEREOF, Borrower has executed this Note as of the Effective Date.

Borrower:

Salvation Army

By:

TBD
TBD
Authorized Representative

NO FEE DOCUMENT:
 Entitled to free recording
 per Government Code §§6103 and 27383.

When recorded, return to:
 SACRAMENTO HOUSING AND
 REDEVELOPMENT AGENCY
 801 12th Street
 Sacramento, CA 95814
 Attention: Portfolio Management

DEED OF TRUST AND ASSIGNMENT OF RENTS

Salvation Army

For purposes of this Deed of Trust the following capitalized terms shall have the meanings ascribed in the space adjacent to them:

TERM	DEFINITION	
“Effective Date”	***date***	
“Trustor” and “Borrower”	Salvation Army, 501(c)3	
“Borrower Address”	30840 Hawthorne Boulevard, Rancho Palos Verdes, CA 90275	
“Trustee”	Placer Title	
“Beneficiary” and “Lender”	Housing Authority of the City of Sacramento, a public body, corporate and politic	
“Lender Address”	801 12th Street Sacramento, California 95814	
“Property”	Which is real property located in the County of Sacramento and the State of California as more particularly described in the Legal Description.	
	Address	1224 North B Street
	Assessor’s Parcel Number	002-0041-021-0000
“Legal Description”	The Legal Description of the Property which is more particularly described in the attached Exhibit 1 Legal Description , which is incorporated in and an integral part of this Deed of Trust	
“Loan”	Which is Lender’s loan to Borrower evidenced by the Note and which is secured by this Deed of Trust.	
“Loan Agreement”	Which is the agreement between Lender and Borrower stating the term and conditions of the Loan.	
	Which is dated:	[date]
“Additional Notices”	Lender shall give copies of notices required to be delivered to Borrower to the following parties at the following addresses; provided, however that Borrower acknowledges that such notice is an accommodation and the failure of the Lender to properly deliver any such notice shall not give rise to any claims or defenses of Borrower or any third party:	
	NA	
“Note”	Which is Borrower's promissory note made in accordance with the Loan Agreement evidencing the following principal sum or such lesser amount as shall equal the aggregate amount disbursed to Borrower by Lender, with interest.	
	Which has a principal sum of	Three Hundred Ten Thousand Dollars and No Cents (\$310,000.00)

THIS DEED OF TRUST is made as of the Effective Date between the Trustor also referenced as the Borrower, the Trustee, and the Beneficiary also referenced as Lender.

Borrower, in consideration of the indebtedness described below and the trust created by this Deed of Trust, irrevocably grants and conveys the Property to Trustee, in trust with power of sale.

Together with all the improvements now or subsequently erected on the property, and all easements, rights, appurtenances, rents (subject, however, to the rights and authorities given to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces, heating equipment, steam and hot water boilers, stoves, ranges, elevators and motors, bathtubs, sinks, water closets, basins, pipes, faucets and other plumbing and heating equipment, cabinets, mantels, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, furniture, shades, awnings, screens, venetian blinds and other furnishings, now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are referred to as the "Property";

To secure to Lender: (a) the repayment of the Loan; and (b) the performance of the covenants and agreements of Borrower contained in this Deed of Trust, the Loan Agreement, the Note, and the Regulatory Agreement.

Borrower covenants that Borrower is lawfully seised of the estate conveyed by this Deed of Trust and has the right to grant and convey the Property, and that Borrower will warrant and defend generally the title of the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall promptly pay when due the principal and interest, if any, on the indebtedness evidenced by the Note. All payments received by Lender under the Note shall be applied by Lender first to interest payable on the Note and thereafter to the unpaid principal of the Note.
2. Charges; Liens. Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property and leasehold payments or ground rents, if any by Borrower making payment, when due, directly to the appropriate payee. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event that Borrower makes payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall pay when due any encumbrance, charge and lien, with interest in accordance with its terms, on the Property or any portion which is inferior or superior to this Deed of Trust.
3. Hazard Insurance. Borrower shall keep the improvements now existing or later erected on the Property insured against loss of fire or hazards under a policy approved by Lender consistent with the insurance requirements of the Loan Agreement. In addition, Borrower shall insure against loss of all furniture, equipment and other personal property owned by Borrower related to Borrower's operation of the Property. Lender shall have the right to hold the policies and policy renewals, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, as and to the extent provided in the Loan Agreement.

Unless Lender and Borrower otherwise agree in writing, any such application of insurance proceeds to principal shall not extend or postpone the due date of any Loan payment or change the amount of such payment. If the Property is acquired by Lender pursuant to this Deed of Trust, all right, title and interest of Borrower in and to any insurance policies and proceeds of such policies resulting from damage to the Property prior to the sale of acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

4. Liability Insurance. In addition to the casualty insurance required under the Loan Agreement during the course of construction, Borrower shall keep comprehensive general liability insurance for the Property in a form and coverage consistent with the provisions of the Loan Agreement and reasonably approved by Lender.

5. Preservation and Maintenance of Property. Borrower shall keep the Property in good repair and shall not commit waste or permit impairment, demolition, or deterioration of the Property.

6. Protection of Lender's Security. Borrower shall appear and defend any action or proceeding purporting to affect the security under this Deed of Trust or the rights of the Lender. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, foreclosure, involuntary sale, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender may, upon notice to Borrower, make such appearances, disburse such sums and take such actions as are necessary to protect Lender's interest, including, but not limited to, disbursement of judgments, costs or reasonable attorney's fees and entry upon the Property to make repairs.

Any amounts disbursed by Lender pursuant to this Section 6, with interest, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment, and shall bear interest from the date of disbursement at the highest rate permissible under applicable law. In any event, this Section shall be construed as a right and an option of Lender and shall not be construed to require Lender to incur any expense or take any action.

7. Inspection. Lender, by its designated representative, may make reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower and any occupant of the Property reasonable prior notice of any such inspection.

8. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of all or any part of the Property, or for conveyance in lieu of condemnation, shall be applied as provided in the Loan Agreement.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of any payment or change the amount of such payment.

9. Borrower Not Released. Extension of the time for payment of the sums secured by this Deed of Trust granted by Lender to Borrower or any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time payment by reason of any demand made by the original Borrower or Borrower's successors in interest.

10. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy under this Deed of Trust, or otherwise afforded by applicable law, shall not be a waiver or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

11. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust, the Note, the Loan Agreement, the Regulatory Agreement or afforded by law or equity, and may be exercised concurrently, independently or successively.

12. Successors and Assigns Bound; Joint and Several Liability Captions. The covenants and agreements contained in this Deed of Trust shall bind, and the rights under this Deed of Trust shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of Section 15. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or to define its provisions.

13. Notice. Except for any notice required under applicable law to be given in another manner, any notice to be given under this Deed of Trust shall be given as provided for in the Loan Agreement. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated.

14. Governing Law; Severability. This Deed of Trust shall be governed by the law of the State of California. If any term or provision of this Deed of Trust shall, to any extent, be held invalid or unenforceable, the remainder of this Deed of Trust shall remain in full force and effect and the invalid or unenforceable provision shall be valid and enforceable as to any other person or circumstance.

15. Acceleration on Transfer or Refinancing of the Property; Assumption. Except as otherwise provided in the Loan Agreement, if all or any part of the Property or an interest in the Property is sold or Transferred or refinanced by Borrower without Lender's prior written consent, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. A "Transfer" occurs whenever any of the following occur: 1) the transfer of any partnership interest to or from any partner; 2) the removal, addition, or substitution of one or more of the general or limited partners of Borrower; or any change in title to the Property or the Project. Lender shall have waived such option to accelerate if, prior to the refinancing, sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the loan may be assumed. If Lender has waived the option to accelerate provided in this Section and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Loan Agreement.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower, or any of its principals or anyone with a substantial legal interest in Borrower, may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by this Deed of Trust.

16. Acceleration on Breach; Remedies. Except as provided in Section 15, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, the Regulatory Agreement, or Loan Agreement, Lender shall mail notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, no less than 30 days from the date the notice is mailed to Borrower, by which breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect from the Borrower, or sale proceeds, if any, all reasonable costs and expenses incurred in pursuing the remedies provided in this Section, including, but not limited to reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold and shall cause such notice to be recorded in each county in which any portion of the Property is located. Lender or Trustee shall mail copies of such notice in the manner prescribed by applicable law to Borrower and to the other persons prescribed by applicable law. Trustee shall give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale, in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or Lender's designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements it contains. Trustee shall apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto as determined by Lender. In the event of a dispute regarding the excess funds, either Lender or Trustee may file an action in interpleader to determine who shall receive the funds and may then deposit the excess funds with the court.

17. Assignment of Rents; Appointment of Receiver; Lender in Possession. As additional security, Borrower assigns to Lender the rents of the Property, (the "Rent") provided that Borrower shall, prior to an acceleration for breach as provided above or abandonment of the Property, have the right to collect the Rent as they become due.

Upon acceleration for breach or abandonment of the Property, Lender, in person, by agent or by judicially appointed receiver shall be entitled to enter upon, take possession of and manage the Property and to collect the Rent including those past due. All Rent collected by Lender, its agent, or the receiver shall be applied first to payment of the costs of management of the Property and collection of Rent, including, but not limited to receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. Lender, its agent and the receiver shall be liable to account only for those Rent actually received.

18. Financing Statement. This Deed of Trust is both a real property deed of trust and a "security agreement" within the meaning of the Uniform Commercial Code. The Property includes both real and personal property and all other rights and interests, whether tangible or intangible in nature, of Borrower in the Property. Borrower by executing and delivering this Deed of Trust has granted and hereby grants to Lender, as security for the Loan, a security interest in the Property to the full extent that the Property may be subject to the Uniform Commercial Code (the Property so subject to the Uniform Commercial Code, including without limitation, the Rent, being called in this paragraph the "Collateral"). Borrower irrevocably appoints Lender as its true and lawful limited attorney-in-fact solely to execute and deliver any and all financing statements pursuant to the appropriate statutes, and any other documents or instruments as are required to convey to Lender a valid perfected security interest in the Collateral. Borrower agrees to perform all acts which Lender may reasonably request so as to enable Lender to maintain such valid perfected security interest in the Collateral in order to secure the payment of the Note in accordance with their terms. Lender is authorized to file a copy of any such financing statement in any jurisdiction(s) as it shall deem appropriate from time to time in order to protect the security interest established pursuant to this Deed of Trust.

19. Prior Lienholder. The provisions of this Deed of Trust shall operate subject to the claims of prior lienholders to the extent of such claims.

20. Nonrecourse. Notwithstanding any provision of this Deed of Trust or any document evidencing or securing the Loan, Borrower, and Borrower's principals, agents, officers, and successors in interest shall not be personally liable for the payment of the Loan or any obligation of the Loan, and in the event of a default Lender shall look solely to the Property subject to this Deed of Trust and to the rents, issues and profits thereof in satisfaction of the indebtedness evidenced by the Note; provided, that nothing in this condition and no action so taken shall operate to impair any obligation of Borrower under the Regulatory Agreement.

21. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender shall request Trustee to reconvey the Property and shall surrender this Deed of Trust and all notes evidencing indebtedness secured by this Deed of Trust to Trustee. Trustee shall reconvey the Property without warranty and without charge to the person or persons legally entitled to such reconveyance. Such person or persons shall pay all costs of recordation, if any. The recitals in the reconveyance of any matters or facts shall be conclusive proof of their truthfulness.

22. Substitute Trustee. Lender, at Lender's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed under this Deed of Trust. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee by this Deed of Trust and applicable law.

23. Request for Notice. Borrower and each party listed to receive Additional Notices request that copies of the notice of default and notice of sale be sent to their respective addresses.

24. Statement of Obligation. Lender may collect a reasonable fee for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California, as it may be amended from time to time.

25. Use of Property. Borrower shall not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

BORROWER (Trustor):

SALVATION ARMY

By: _____
Developer signatory
Developer signatory title

EXHIBIT 1
LEGAL DESCRIPTION

The West one-half of Lot 4, Block 13, also described as in the Block bounded by "A" and North "B", Twelfth and Thirteenth Streets, according to the Official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in the office of the County Recorder of Sacramento County, April 24, 1850, in Book 1 of Maps, Map No. 8. TOGETHER WITH the North 1/2 of the alley (now abandoned lying between the Southerly production of the West line of West 1/2 of Lot4 and the Southerly production of Easterly line of the West 1/2 of Lot 4 in the Block bounded by "A" and North "B" Twelfth and Thirteenth Streets, according to the official "Map of Park of Sacramento City, lying between 10th and 25th Streets, "A" Street and the American River", recorded in Book 1 of Maps, Map No. 8, records of said County. APN: 002-0041-021-0000