

DISPOSITION, DEVELOPMENT, AND LOAN AGREEMENT

by and between the

CITY OF HAWTHORNE

and

CORDARY AVENUE, L.P

DRAFT

_____, 2026

THIS DISPOSITION, DEVELOPMENT, AND LOAN AGREEMENT (this “**Agreement**”) is dated as of _____, 2026 (“**Effective Date**”) and is entered into by and between the CITY OF HAWTHORNE, a California municipal corporation (“**City**”), and CORDARY AVENUE, L.P., a California limited partnership (“**Developer**”). The City and the Developer are collectively referred to herein as the “**Parties**.”

RECITALS

A. The City is the owner of property which does not yet have an assigned address and is located immediately south of 14115 Cordary Avenue (APN 4051-030-902) [ORDERED UPDATED PTR; NEED TO RESOLVE VESTING] described in Exhibit “A” attached hereto (the “**Property**”). City intends to ground lease the Property to Developer and make a secured loan to Developer, and Developer intends to ground lease the Property from City and accept such loan, upon and subject to the terms and conditions hereinafter set forth.

B. The Property was acquired by the former Hawthorne Community Redevelopment Agency using its housing set aside funds, and some of the funds for the City loan are also derived from such housing set aside funds. The City is the successor to the housing assets of the former Hawthorne Community Redevelopment Agency, including the Property and such funds.

C. Developer has proposed the development of a 93-unit multifamily rental housing development on the Property that will be affordable to extremely low, very low, and low income households and one manager’s unit, and other amenities as more particularly described in the form of Ground Lease attached hereto as Exhibit G. The developer has also proposed other improvements and offsite improvements required by the City’s governmental conditions of approval of entitlements/permits, as more particularly described in the form of Ground Lease attached hereto as Exhibit G and the form of Affordable Housing Covenant attached hereto as Exhibit F (the “**Project**”). [GROUND LEASE DEADLINE TO MATERIALLY COMMENCE WILL BE WITHIN 30 DAYS AFTER CLOSING UNDER THIS DDLA OR CLOSE OF CONSTRUCTION FINANCING; DEADLINE TO COMPLETE WILL BE DATE THAT IS 30 MONTHS AFTER COMMENCEMENT, SUBJECT TO FORCE MAJEURE DELAYS]

D. Upon satisfaction of the conditions precedent to closing set forth in this Agreement and subject to the terms and conditions set forth herein, the City will lease the Property to Developer for 55 years after the issuance of a certificate of occupancy for the Project pursuant to such Ground Lease and will provide a secured construction and permanent loan of \$7,000,000 (“**City Loan**”) to assist in financing the Project. The Ground Lease shall provide, among other things, that a default under the recorded Affordable Housing Covenant or the City Loan shall be a default under the Ground Lease.

E. As conditions to the closing, Developer will execute and deliver to the escrow for the closing for recording (and in the case of the promissory note for the loan, directly to City), among other documents, a deed of trust that will provide City with a security interest in Developer’s leasehold interest in the Property to secure the City loan, an assignment of contracts and plans that will provide City with a security interest in architect’s and engineer’s contracts and plans and specifications to secure the City loan, and the Affordable Housing Covenant.

F. A material inducement to City to enter into this Agreement and close the transactions described herein is the agreement by Developer to comply with the Ground Lease and the Affordable Housing Covenant, including the obligation to develop the Project in accordance with and within the time periods specified in the Ground Lease, and the City would be unwilling to close this transaction in the absence of an enforceable commitment by Developer to take such actions and complete such work in accordance with such provisions and within such time periods.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows.

ARTICLE I

DEFINITIONS; EXHIBITS

1.1 Incorporation of Recitals. The Parties acknowledge the truth of the foregoing recitals which are hereby incorporated into this Agreement by this reference.

1.2 Definitions. The following terms shall have the meanings set forth below whenever used in this Agreement and the Exhibits attached hereto. Additional terms are defined in the Recitals and text of this Agreement.

“**Affordable Housing Covenant**” is described in Recital C, and the form of it is attached as part of Exhibit F.

“**Assignment Agreement**” means a collateral assignment of architect and engineer contracts and plans in the form attached as Exhibit E.

“**Authorized Representative**” means the City Manager of the City of Hawthorne or his or her designee.

“**City**” means the City of Hawthorne, a municipal corporation.

“**City Council**” means the City Council of the City of Hawthorne, California.

“**City Documents**” means collectively, this Agreement, the City Loan Note, the Deed of Trust, the Affordable Housing Covenant, the Notice, the Assignment Agreement, and the Ground Lease.

“**City Loan**” is defined in Recital D and further described in Section 4.1.

“**City Loan Note**” means a secured promissory note in the form attached hereto as Exhibit C.

“Closing,” “Closing Date” or “Close of Escrow” shall be the date that escrow closes for the City Loan and shall be the date upon which the term of the Ground Lease commences and the Memorandum of Lease is recorded.

“Commencement Date” means the date that the term of the Ground Lease commences, which shall be the Closing Date.

“Conditions of Approval” means all governmental conditions imposed on any governmental approvals or permits required for the Project.

“Construction Plans” is defined in Section 5.4.

“County” means the County of Los Angeles.

“CTCAC” means the California Tax Credit Allocation Committee.

“Deed of Trust” means the deed of trust substantially in the form attached hereto as Exhibit to be executed by Developer as trustor for the benefit of City and recorded against Developer’s leasehold interest in the Property to secure repayment of the City Loan.

“Developer” means Cordary Avenue, L.P., a California limited partnership and its successors and permitted assigns.

“Developer Parties” means Developer and Developer’s agents, employees, consultants, contractors, and subcontractors, and any person acting on behalf of, or as the invitee of, any of the foregoing.

“Developer’s Permitted Exceptions” is defined in Section 3.1.

“Effective Date” is the date specified in the preamble to this Agreement.

“Environmental Laws” is defined in Section 6.11.2.

“Escrow Agent” is defined in Section 3.4.

“Ground Lease” is defined in Recital C, and the form of it is attached as Exhibit.

“Hazardous Material” is defined in Section 6.11.1.

“Improvements” or “Project” means the improvements to be developed on the Property pursuant to this Agreement and the Ground Lease.

“Investor Limited Partner” means the entity admitted to the Developer as a limited partner and that will provide equity contributions to fund development of the Project.

“**Lender’s Title Policy**” is defined in Section 3.8(e).

“**Loan Proceeds**” means the proceeds of the City Loan.

“**Memorandum of Lease**” is defined in Section 3.8(d), and the form of it is attached as an Exhibit to the Ground Lease (the form of the Ground Lease is attached hereto as Exhibit).

“**Notice**” means the Notice of Affordability Restrictions on Transfer of Property attached hereto as part of Exhibit .

“**Official Records**” means the Official Records of Los Angeles County.

“**Owner’s Title Policy**” is defined in Section 3.9(c).

“**Project**” is defined in Recital B and more particularly described in the form of Ground Lease.

“**Property**” is defined in Recital A and described in Exhibit A-2.

“**Property Management Plan**” is defined in Section 5.7.

“**Residential Marketing Plan**” is defined in Section 5.8.

“**Transfer**” shall mean any (i) voluntary or involuntary sale, transfer, assignment or conveyance of the this Agreement, the Project or the Property, any portion thereof or interest therein, or any agreement to do so, (ii) any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to any ownership interest in Developer or any contract or agreement to do any of the same, (iii) any merger, consolidation, sale or lease of all or substantially all of the assets of the Developer, and/or (iv) the leasing of part or all of the Project thereon (except as leasing is expressly permitted in Section 7.1).

“**Title Company**” is defined in Section 3.4.

“**Title Report**” is defined in Section 3.1.

“**Updated Financing Plan**” is defined in Section 2.5.2.

1.3 Exhibits. The following Exhibits are attached hereto and incorporated into this Agreement by this reference:

- A Legal Description of the Property
- B Pre-Closing Schedule [INTENTIONALLY OMITTED]
- C Form of City Loan Note
- D Form of Leasehold Deed of Trust (which includes the post-closing schedule and Memorandum of Lease)

- E Form of Assignment
- F Forms of Affordable Housing Covenant and Notice of Affordability Restrictions
- G Form of Ground Lease
- H Preliminary Financing Plan (Project Budget; Sources and Uses of Funds; Pro-forma/projected Operating Income/Expense Statement)

ARTICLE II

REPRESENTATIONS; EFFECTIVE DATE; PROJECT SCOPE; FINANCING PLAN

2.1 Representations. Developer covenants that until the expiration or earlier termination of this Agreement, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 2.1 to be untrue, Developer shall promptly give written notice of such fact or condition to City. Developer acknowledges that City shall rely upon Developer's representations made herein notwithstanding any investigation made by or on behalf of City. Developer hereby represents, warrants, and covenants that the following are true and correct as of the Effective Date, and shall be true and correct as of the Closing Date.

(a) Organization. Developer is a limited partnership, duly organized and in good standing under the laws of the State of California.

(b) Authority of Developer. Developer has full power and authority to execute and deliver this Agreement, the other City Documents, and all other documents or instruments that have been or that will be executed and delivered by Developer pursuant to or in connection with this Agreement, and to perform and observe the terms and provisions of all of the foregoing.

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

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

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

(f) Pending Proceedings. Except as disclosed in writing to the City prior to execution of this Agreement, Developer is not in default under or in violation of any law or regulation or under any order of any court, board, commission or agency whatsoever, and, to the best knowledge of the principals of Developer's general partners, there are no claims, actions, suits or proceedings pending or threatened against or affecting Developer, at law or in equity, before or by any court, board, commission or agency. Neither Developer nor any of its general partners are the subject of a bankruptcy or insolvency proceeding, and no general assignment or general arrangement for the benefit of creditors or the appointment of a trustee or receiver to take possession of all or substantially all of Developer's or any general partner's assets has been made.

2.3 Project Scope.; Design and Development Standards. The contemplated Project is described in Recital C hereto and more particularly described in Exhibit ___ to the Ground Lease (the form of which is attached as Exhibit ___ hereto).

2.4 Financing Plan; Project Schedule.

2.4.1 Preliminary Financing Plan. As set forth in the Preliminary Financing Plan attached hereto as Exhibit ___, Developer has preliminarily proposed financing the Project with a combination of a conventional construction loan that will convert to a permanent loan upon completion of construction, equity contributions from the Investor Limited Partner, the City Loan from the City, a loan from _____, a loan from _____.

2.5.2 Updated Financing Plan. Developer shall submit for City approval Developer's updated plans for construction and permanent financing of the Project (the "**Updated Financing Plan**") and such submission and approval shall be a condition to Closing. The Updated Financing Plan shall indicate all sources of funds necessary to pay, when due, the estimated costs of the Project, including without limitation the hard and soft construction costs, and shall be accompanied by evidence that all such funds are subject to binding commitments, from Developer, equity investors, and lenders, subject only to commercially reasonable conditions. The Updated Financing Plan shall include development and operating pro-formas which set out in detail Developer's plan for financing the costs of leasing the Property, and constructing and operating the Project. In addition, if applicable, the Updated Financing Plan shall be accompanied by an updated Project Schedule for approval by the City Manager in writing, and if approved, the post-closing construction schedule attached to the form of Ground Lease shall be revised accordingly.

2.5.3 City Review/Approval of Updated Financing Plan. City shall use good faith efforts to review the proposed Updated Financing Plan as soon as reasonably possible. If the City does not approve the Updated Financing Plan, the City shall set forth its objections in writing and notify Developer of the reasons for its disapproval. If City disapproves the Updated Financing Plan, Developer shall submit revisions that address the reasons for disapproval.

If Developer proposes to modify the Updated Financing Plan after it has been approved by City, Developer shall submit proposed modifications to the City for review and approval. The same review and notice and amendment provisions set forth in the preceding paragraph shall apply to City's review of proposed modifications.

2.5.4 Tax Credit Funds and Other Financing Sources; Timing. Developer will submit an initial application for tax credits by December 31, 2026 in order to secure allocations of low-income housing tax credits, and other financing for the Project to enable construction to commence by the date that is thirty (30) days after the Closing. Upon award of tax credits, Developer shall exercise diligent good faith efforts to obtain a funding commitment from a reputable equity investor(s). Developer's procurement of tax credits and receipt of commitments from an equity investor(s), and the actual closing of loans (in addition to the City Loan) from construction and permanent lenders sufficient to fully finance development of the Project are conditions precedent to the Closing (including City's obligation to lease the Property to Developer and provide the City Loan).

Developer shall submit a complete and competitive application to TCAC for tax credits in the next four (4) consecutive available funding rounds following the Effective Date. If Developer is unsuccessful after four rounds, the City may, at its sole discretion, grant an extension pursuant to and limited by Section 3.6 hereof.

ARTICLE III

LEASE OF THE PROPERTY; CONDITIONS PRECEDENT TO CLOSING

3.1 Lease of Property; Review of Title. Developer acknowledges receipt of a preliminary title report for the Property issued for the City Site by Commonwealth Land Title Company under Order No. 09174701-917-CG8 dated _____, 2025 [UPDATE ORDERED] (the "**Title Report**"). [DISCUSS: DEVELOPER TO REVIEW AND APPROVE/DISAPPROVE PRIOR TO APPROVAL OF THIS DDLA, CORRECT?] Provided that all conditions precedent to Closing set forth in this Agreement have been satisfied or waived, City shall lease to Developer, and Developer shall lease from City, the Property in accordance with and subject to the terms, covenants and conditions of this Agreement and the Ground Lease, subject to: (a) the provisions and effects of the City Documents, (b) applicable building and zoning laws and regulations, (c) any lien for current taxes and assessments or taxes and assessments accruing for periods subsequent to recordation of the Memorandum of Lease, (d) the exceptions shown on the Title Report [confirm there are no exceptions that we expect to be deleted], (e) liens and encumbrances created or permitted by Developer or Developer's affiliates, employees or agents, and (f) such other conditions, liens, encumbrances, restrictions, easements and exceptions as Developer may approve in writing, which approval shall not be unreasonably

withheld. All of the foregoing are collectively hereinafter referred to as “**Developer’s Permitted Exceptions.**”

3.1.1 Supplemental Title Review. Developer may obtain from the Title Company an updated preliminary title report with hyperlinks to new title exception documents (“**Supplemental Report**”), and if Developer does so, Developer shall promptly deliver such Supplemental Report to City. Following delivery to Developer of the Supplemental Report, Developer shall have ten (10) business days to provide to City Developer’s written objections to the Supplemental Report. If Developer fails to provide written objections within such period, Developer shall be deemed to have accepted the Supplemental Report and all new exceptions listed therein and the same shall be included in Developer’s Permitted Exceptions. If Developer provides written notice of objections to new exceptions listed in the Supplemental Report, City shall have ten (10) business days to notify Developer of whether City will undertake to remove the exceptions to which Developer has objected. If City fails to respond, City shall be deemed to have elected not to cure any of the exceptions, and in such case, Developer may elect to proceed to Close of Escrow or terminate this Agreement by written notice to City. Notwithstanding anything to the contrary in this Section 3.1.1: (a) Developer shall be deemed to have accepted any new exceptions that pertain to liens and encumbrances created or permitted by Developer or Developer’s affiliates, employees or agents, and (b) City shall take action to remove any new monetary liens affecting title to the Property that are created or permitted by City.

3.2 Ground Lease/Possession at Closing. On the Closing Date, the City shall deliver possession of the Property to the Developer pursuant to the Ground Lease.

3.3 Ground Lease; [Prepayment of Rent]. [At the Closing, Developer shall pay (through escrow or outside of escrow) the sum of \$ _____ to City as prepaid rent] [IF RENT IS LESS THAN FAIR MARKET RENT BY MORE THAN \$100,000, THAT TRIGGERS ECON SUBSIDY HEARING/REPORT] [AND WE HAVE ASSUMED DEVELOPER WILL PAY PREVAILING WAGES] .

3.4 Escrow. City and Developer shall open escrow at the office of Commonwealth Land Title Company (“**Escrow Agent**” or “**Title Company**”) at _____ in order to consummate the lease of the Property to Developer and the closing of escrow for the transactions contemplated hereby.

3.5 Costs of Closing and Escrow; [City Loan Fee]; Legal Fees. [At the Close of Escrow, Developer shall pay an origination fee for the City Loan of \$70,000 to the City through escrow.] Developer shall pay all title insurance premiums for title policies Developer elects to purchase in connection with the lease of the Property and the financing of the Project, and Developer shall pay all recording fees, transfer taxes, escrow fees and closing costs incurred in connection with the lease of the Property and the financing of the Project. Developer shall pay for the cost of the lender’s policy of title insurance that must be issued to City insuring the City’s deed of trust which secures the City Loan. Property taxes and assessments shall be prorated as of the Closing Date. City and Developer shall provide Escrow Agent with a copy of this Agreement, which together with such supplemental instructions as City or Developer may

provide and which are consistent with this Agreement or which are otherwise mutually agreed upon by City and Developer, shall serve as escrow instructions for the Close of Escrow.

3.6 Closing Deadline. The Closing Date shall occur on or before _____, which shall not be subject to extension for Force Majeure subject to the satisfaction or waiver of all conditions precedent to the Close of Escrow as set forth in Sections 3.8 and 3.9; however, the City Manager may extend such deadline in his or her sole and absolute discretion provided that such extension(s) are in writing, and do not exceed _____].

If the Closing does not occur by the Closing deadline, either the Developer or City shall have the right, by delivery of written notice to the other party, to terminate this Agreement, subject to any provisions and obligations herein which state that they survive termination.

3.7 Closing Deliveries; Recording. Prior to the Close of Escrow, Developer shall deliver the executed City Loan Note and the Assignment to City, and shall deposit into escrow the City Documents to which Developer is a party, executed and acknowledged as applicable, Developer's share of closing costs, [and funds in the amount required to pay all rent to be prepaid under the Ground Lease (i.e., \$ _____)], and all other costs and expenses payable by Developer pursuant to this Agreement and the City Documents. Provided that all conditions precedent to Close of Escrow have been satisfied or waived, City shall deposit into escrow executed copies of the City Documents to which City is a party. On the Closing Date, the Escrow Agent shall cause the Memorandum of Lease, the Affordable Housing Covenant, the Notice, and then the Deed of Trust, in that order to be recorded in the Official Records (it being understood that any subordination of the City's Deed of Trust to the deed of trust securing the primary construction loan must be evidenced by a reasonable, recorded subordination agreement approved and signed by the City Manager).

3.8 City's Conditions to Closing. City's obligations to lease the Property to Developer and close the City Loan (i.e., the "Closing") are conditioned upon the satisfaction of the terms and conditions set forth in this Section 3.8, unless any such condition is waived in writing by the City acting in the discretion of its Authorized Representative.

(a) No Default. There shall exist no condition, event or act which would constitute a breach or default by Developer under this Agreement or any other City Document, or which, upon the giving of notice or the passage of time, or both, would constitute such a breach or default.

(b) Representations. All representations and warranties of Developer contained herein or in any other City Document or certificate delivered in connection with the transactions contemplated by this Agreement shall be true and correct in all material respects as of the Close of Escrow.

(c) Due Authorization and Good Standing; Organizational Documents. Developer shall have delivered to City copies of all of the following, including updated versions of any of the following that have been amended or modified since the date of any prior delivery of such documents to City: (i) the {Partnership Agreement} for Developer; (ii) copies of

Developer's [LP-1], and good standing certificate, each certified by the Secretary of State; (iii) for each general partner of the Developer and for the manager/sole member of each general partner (a) a good standing certificate and articles of incorporation/LLC-1, each certified by the Secretary of State, and (b) the entity's bylaws/operating agreement, and resolutions authorizing Developer's execution of and performance under this Agreement and the other City Documents, each certified by an officer or other authorized party as accurate, complete, and in full force and effect. [REVISE ONCE KNOW DEVELOPER AND PARTNERS/MEMBERS IDENTITIES]

(d) Execution, Delivery and Recordation of Documents. Developer shall have executed, acknowledged as applicable, and delivered all documents required in connection with the transactions contemplated hereby, including without limitation the City Note, the Deed of Trust, the Assignment, the Affordable Housing Covenant, the Notice, the Ground Lease, and a Memorandum of Lease substantially in the form attached as an exhibit to the Ground Lease ("**Memorandum of Lease**").

(e) Lender's Title Policy. The Title Company shall, upon payment of the premium therefor, be ready to issue an ALTA Lender's Policy of Title Insurance for the benefit and protection of City ("**Lender's Title Policy**") in the amount of the City Loan, insuring that the Deed of Trust is recorded against Developer's leasehold interest in the Property, subject only to title exceptions and such other defects, liens, conditions, encumbrances, restrictions, easements and exceptions as City may approve in writing (collectively, "**City's Permitted Exceptions**") and containing such endorsements as City may reasonably require, with the cost of such Lender's Title Policy to be paid by Developer.

(f) Financing Plan. City shall have approved the Updated Financing Plan, including without limitation, the sources of construction and permanent financing, and the construction and operating budgets for the Project.

(g) Commitment/Closing of all Other Loans and Equity Funds. All loans and commitments of equity for the construction of the Project shall have closed or shall close concurrently with the closing of the City Loan and the leasing of the Property (i.e., the delivery of Ground Lease and recording of Memorandum of Lease), and Developer shall have provided City with reasonable evidence of committed equity funds necessary for the Project.

(h) Construction Contract, Plans. City shall have approved the final Construction Plans and specifications for the Project. Developer shall have delivered an executed copy of the construction contract for the Project to the City, which must be a GMAX contract consistent with the Updated Project Budget approved by the City.

(i) Insurance; Payment and Performance Bonds. Developer shall have provided to City copies of payment bonds and performance bonds in form approved by City pursuant to Section 5.6.

(j) Settlement Statement. City shall have approved the final settlement statement for the Close of Escrow;

(k) Insurance. Developer shall have provided to City the evidence of the insurance required of Developer under the Ground Lease.

(n) Marketing and Management Plans. The City Manager shall have approved in writing the Residential Marketing Plan and the Property Management Plan [confirm that these will be available at construction loan closing].

(o) Other Documents. Developer's delivery to City, and City approval of such other documents related to the development and financing of the Project as City may reasonably request.

3.9 Developer's Conditions to Closing. Developer's obligation to proceed with the leasing of the Property is subject to the satisfaction or Developer's waiver of the following conditions:

(a) No Default. City shall not be in default under the terms of this Agreement, and all representations and warranties of City contained herein shall be true and correct;

(b) Execution of Documents. City shall have executed and acknowledged the Memorandum of Lease, the Affordable Housing Covenant, the Notice, and all other City Documents to which the City is a party, and shall have delivered such documents into escrow; and

(c) Leasehold Owner's Title Policy. The Title Company shall, upon payment of the premium therefor, be ready to issue a Leasehold Owner's Title Insurance Policy for the benefit and protection of Developer ("**Owner's Title Policy**") showing a leasehold interest in the Property vested in Developer, subject only to Developer's Permitted Exceptions and containing such endorsements as Developer may reasonably require, with the cost of such Owner's Title Policy to be paid by Developer.

(d) Financing Plan. Developer shall have approved the Updated Financing Plan (intended to be the final financing plan, current as of closing), including without limitation, the sources of construction and permanent financing, and the construction and operating budgets for the Project.

(e) Permits and Land Use Approvals. Developer shall have obtained all zoning and other land use approvals and all permits (or permit ready letters) required to construct the Project. With respect to permits, permit ready letters must from City must provide that permits will be subject only to payment of fees that will be paid through escrow at the Close of Escrow.

(f) Developer shall have approved the physical condition of the Property pursuant to its inspection rights in Section 6.1 hereof, such approval not to be withheld unless a material deterioration in the physical condition of the property has occurred after the Effective Date and prior to the Closing Date.

ARTICLE IV

CITY LOAN

4.1 City Loan. Upon satisfaction of the conditions precedent set forth in Sections 3.8 and 3.9, City agrees to provide to Developer a construction and permanent loan in the amount of \$7,000,000 (the “**City Loan**”) upon the terms and conditions and for the purposes set forth in this Agreement. Developer’s obligation to repay the City Loan shall be evidenced by a secured promissory note executed by Developer in the form attached hereto as Exhibit (the “**City Loan Note**”). Repayment of the City Loan Note shall be secured by the Deed of Trust and the Assignment.

4.2 Loan Terms.

4.2.1 Disbursements; Use of Proceeds. Proceeds of the City Loan shall be used for construction of the Project. The City shall disburse the City Loan in increments no more often than monthly after receipt of reasonable written draw requests, indicating the amount requested, and the costs (by budget line item) to be paid with such amount, and subject to other reasonable construction loan disbursement conditions, including that Developer not be in default.

4.2.2 Determination of Interest Rate. The principal balance of the City Loan outstanding from time to time will bear interest at the rate of three percent (3%) simple annual interest, except during such periods that the default rate of interest specified in the City Note applies.

4.2.3 Other Terms of City Loan. The other terms of the City Loan are set forth in the City Note (and the Deed of Trust and Assignment Agreement).

4.3 Security; Subordination Agreement. Repayment of the City Note shall be secured by the Deed of Trust which shall be executed by Developer for the benefit of City substantially in the form attached hereto as Exhibit and recorded against Developer’s leasehold interest in the Property at the Close of Escrow, and also the Assignment which shall be executed by Developer substantially in the form attached hereto as Exhibit and delivered directly to City as a condition to Closing. The City Manager may execute and deliver a reasonable recordable subordination agreement with respect to the City Deed of Trust and the Assignment Agreement required by the primary construction and conventional permanent lender described in the City approved Updated Financing Plan as a condition to its loan.

4.4 No Obligation to Close Escrow After Default. Notwithstanding any other provision of this Agreement, the City shall have no obligation to authorize the Close of Escrow or the disbursement of Loan Proceeds following:

(i) the failure of any of Developer’s representations and warranties made in this Agreement or in connection with this Agreement to be true and correct in all material respects;

(ii) the termination of this Agreement; or

(iii) the occurrence of a default by Developer under any City Document which remains uncured beyond any applicable cure period, or the existence of any condition, event or act which upon the giving of notice or the passage of time or both would constitute a default under any City Document.

ARTICLE V

DEVELOPMENT AND USE OF THE PROPERTY

5.1 Development Schedule; Development/Construction. The terms of the Ground Lease shall govern the Developer's post-Closing construction of the Project. The schedule for construction of the Project is set forth as an exhibit to the Ground Lease.

5.2 Costs of Leasing and Construction; Prevailing Wages. Subject to the City Loan, Developer shall be solely responsible for all direct and indirect costs and expenses incurred in connection with the construction and development of the Project, the acquisition of its ground leasehold interest and space leasing of the Property, including without limitation appraisal fees, title reports and any environmental assessments, and compliance with the Conditions of Approval, including without limitation all off-site and on-site improvements required by City in connection therewith, and all such costs shall be borne solely by Developer and shall not be an obligation of the City. Developer shall pay prevailing wages for the costs of construction of the Project [Abode to confirm], and shall otherwise comply with California Labor Code 1720 et seq. (as also provided in the Ground Lease).

5.3 Permits and Approvals; Payment of Fees. Developer acknowledges that the execution of this Agreement by the City does not constitute City approval for the purpose of the issuance of building permits, does not limit in any manner the discretion of City in such approval process, and does not relieve Developer from the obligation to apply for and to obtain from the City and all other agencies with jurisdiction over the Property, all necessary approvals, entitlements, and permits for the construction of the Project (including without limitation the approval of architectural plans, the issuance of any certificates regarding historic resources required in connection with the development of the Property (if any), and the approval of the Project in compliance with CEQA if applicable, and if applicable, NEPA), nor does it limit in any manner the discretion of the City or any other agency in the approval process. Prior to the Close of Escrow, Developer shall have obtained all entitlements, permits, licenses and approvals required for the construction of the Project, including without limitation, fire department permits, building permits, and use permits or shall provide evidence satisfactory to City that receipt of such permits and approvals is subject only to such conditions as City may approve. Developer shall pay when due all customary and usual fees and charges in connection with the processing of all applicable permits and approvals, but in any event all such fees and charges must be paid as a condition to the Closing (though they may be paid through escrow upon the Closing). Developer shall not commence construction work on the Project prior to issuance of building permits required for such work. [Abode to confirm]

5.4 Construction Plans. Developer shall submit to City's Building Department a complete Building Permit Application, including detailed construction plans for the Project (the "**Construction Plans**"). As used herein "**Construction Plans**" means all construction

documents upon which Developer and Developer's contractors shall rely in constructing the Project (including but not limited to, the landscaping, parking, and common areas) and shall include, without limitation, the on-site development plan, the construction management plan, final architectural drawings, landscaping, exterior lighting and signage plans and specifications, materials specifications, final elevations, building plans and specifications, plans for all off-site improvements necessary to develop and operate the Project as required by the Conditions of Approval, including, without limitation, utilities, curbs, gutters, sidewalks, and driveways along the Project frontages, and all items the City requires to be submitted in connection with applications for building permits. The Construction Plans shall be based upon the scope of development and development standards set forth herein and upon the approvals issued by the City for the Project, and shall not materially deviate therefrom without the express written consent of City.

5.5 Equal Opportunity. There shall be no discrimination on the basis of race, color, religion, creed, sex, sexual orientation, marital status, ancestry or national origin in the hiring, firing, promoting or demoting of any person engaged in construction work on the Property, and Developer shall direct its contractors and subcontractors to refrain from discrimination on such basis.

5.6 Performance and Payment Bonds. Prior to Closing, Developer shall cause its general contractor to deliver to the City copies of payment bond(s) and performance bond(s) issued by a reputable insurance company licensed to do business in California, each in a penal sum of not less than one hundred percent (100%) of the scheduled cost of construction of the Project. The City may require separate payment and performance bonds to ensure completion of any public improvements required pursuant to the Conditions of Approval. All bonds shall name the City as co-obligee.

5.7 City Approval of Residential Marketing Plan. Developer shall submit to City Manager for review and approval an initial residential marketing plan, in a form acceptable to City and consistent with the provisions of the Affordable Housing Covenant (the "**Residential Marketing Plan**") [confirm timing for when this needs to be submitted]. The City Manager's Approval shall not be unreasonably withheld, conditioned or delayed. If the City Manager disapproves the Residential Marketing Plan, the City Manager shall do so by written notice to Developer stating the reasons for such disapproval. The City Manager shall have the right to approve or disapprove any newly submitted Residential Marketing Plan.

5.8 City Approval of Property Management Plan. Developer shall submit to the City Manager for review and approval an initial property management plan that provides for management of the Property, including maintenance, inspection, and repair of the Improvements and landscaping on the Property ("**Property Management Plan**") [confirm timing for when this needs to be submitted]. The City Manager's approval shall not be unreasonably withheld, conditioned or delayed. If the City Manager disapproves the Property Management Plan, the City Manager shall do so by written notice to Developer stating the reasons for such disapproval. The City Manager shall approve or disapprove any newly submitted Property Management Plan.

ARTICLE VI
CONDITION OF THE SITE; ENVIRONMENTAL MATTERS

6.1 Access to Site; Inspections. Prior to the Close of Escrow, Developer and Developer's authorized representatives ("Developer Parties") may enter upon and conduct reviews and assessments of the physical and environmental condition of the Property and the condition of the existing improvements, and perform an ALTA survey. Developer shall provide City with the names of such authorized representatives, and proof of liability insurance acceptable to City, naming City as additional insured, prior to any such entry. Developer's inspection, examination, survey and review of the Property shall be at Developer's sole expense. Developer shall provide City, without representation or warranty, copies of all reports and test results promptly following completion of such reports and testing. Developer hereby agrees to notify the City twenty-four (24) hours in advance of its intention to enter the Property and will provide workplans, drawings, and descriptions of any intrusive sampling it intends to do. Developer must keep the Property in a safe condition during its entry. Developer shall repair, restore and return the Property to its condition immediately preceding Developer's entry thereon at Developer's sole expense. Developer will not permit any mechanics liens, stop notices, or other liens or encumbrances to be placed against the Property prior to Close of Escrow. Without limiting any other indemnity provisions set forth in this Agreement, Developer shall indemnify, defend (with counsel approved by City) and hold the City and its councilmembers, officers, and employees harmless from and against all liabilities, losses, costs, expenses (including without limitation attorneys' fees and costs of litigation), claims, demands, actions, suits, judicial or administrative proceedings, penalties, deficiencies, fines, orders, and damages resulting from or arising in connection with entry upon the Property pursuant to this Section 6.1 except to the extent arising from the gross negligence or willful misconduct of the indemnitees. Developer's indemnification obligations set forth in this Section 6.1 shall not apply to Claims relating to the diminution in value of the Property solely resulting from Developer's mere discovery of Hazardous Materials or other conditions of the Property that existed prior to Developer's entry onto the Property, provided that no such condition is exacerbated due to the activities of any Developer Parties. Developer's indemnification obligations set forth in this Section 6.1 shall survive the Close of Escrow and the termination of this Agreement and shall be subject to the provisions of Section 10.2.

6.2 [Reserved]

6.3 No Limitation. Developer hereby acknowledges and agrees that Developer's duties, obligations and liabilities under this Agreement are in no way limited or otherwise affected by any information the City may have concerning the Property and/or the presence in, on, under or about the Property of any Hazardous Material, whether the City obtained such information from the Developer or from its own investigations.

6.4 Definitions.

6.11.1 "**Hazardous Material**" means any chemical, compound, material, mixture, or substance that is now or may in the future be defined or listed in, or otherwise

classified pursuant to any Environmental Laws (defined below) as a “hazardous substance”, “hazardous material”, “hazardous waste”, “extremely hazardous waste”, infectious waste”, toxic substance”, toxic pollutant”, or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, or toxicity. The term “hazardous material” shall also include asbestos or asbestos-containing materials, radon, chrome and/or chromium, polychlorinated biphenyls, petroleum, petroleum products or by-products, petroleum components, oil, mineral spirits, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable as fuel, perchlorate, and methyl tert butyl ether, whether or not defined as a hazardous waste or hazardous substance in the Environmental Laws.

6.11.2 "**Environmental Laws**" means any and all federal, state and local statutes, ordinances, orders, rules, regulations, guidance documents, judgments, governmental authorizations or directives, or any other requirements of governmental authorities, as may presently exist, or as may be amended or supplemented, or hereafter enacted, relating to the presence, release, generation, use, handling, treatment, storage, transportation or disposal of Hazardous Material, or the protection of the environment or human, plant or animal health, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. § 9601), the Hazardous Materials Transportation Act (49 U.S.C. § 1801 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*), the Toxic Substances Control Act (15 U.S.C. § 2601 *et seq.*), the Oil Pollution Act (33 U.S.C. § 2701 *et seq.*), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 *et seq.*), the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 *et seq.*), the Toxic Mold Protection Act (Cal. Health & Safety Code § 26100, *et seq.*), the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 *et seq.*), the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 *et seq.*), the Hazardous Materials Release Response Plans & Inventory Act (Cal. Health & Safety Code § 25500 *et seq.*), and the Carpenter-Presley-Tanner Hazardous Substances Account Act (Cal. Health and Safety Code, Section 25300 *et seq.*).

ARTICLE VII

LIMITATIONS ON CHANGE IN OWNERSHIP, MANAGEMENT AND CONTROL OF DEVELOPER

7.1 Identity of Developer; Changes Only Pursuant to this Agreement. Developer and its principals have represented that they possess the necessary expertise, skill and ability to carry out the development of the Project pursuant to this Agreement. The qualifications, experience, financial capacity and expertise of Developer and its principals are of particular concern to the City. It is because of these qualifications, experience, financial capacity and expertise that the City has entered into this Agreement with Developer. No voluntary or involuntary successor, assignee or transferee of Developer shall acquire any rights or powers under this Agreement, except as expressly provided herein. (a) Notwithstanding the foregoing, the following Transfers shall be permitted and are hereby approved by the City:

- (i) Any Transfer creating a security financing interest permitted pursuant to this Agreement or the Ground Lease (a “Security Financing Interest”) or any Transfer directly resulting from the foreclosure of a Security Financing Interest or the granting of a deed in lieu of foreclosure of a Security Financing Interest.
- (ii) The leasing of residential units within the Project in accordance with the Affordable Housing Covenant.
- (iii) The granting of easements or permits to facilitate the development of the Project.
- (iv) a Transfer of a limited partnership interest in the Developer, or
- (v) the removal of the general partner of Developer pursuant to the terms of the Partnership Agreement of Developer.

7.2 Effect of Transfer without City Consent.

7.2.1 In the absence of specific written agreement by the City, no Transfer by Developer shall be deemed to relieve the Developer or any other party from any obligation under this Agreement.

7.2.2 It shall be an Event of Developer Default hereunder entitling City to pursue remedies including without limitation, termination of this Agreement if Developer violates this Article 7.

7.3 Recovery of City Costs. Within ten (10) days following City’s delivery to Developer of an invoice detailing such costs, Developer shall reimburse City for all reasonable City costs, including but not limited to reasonable attorneys’ fees, incurred in reviewing instruments, transferee/assignee organizational documents and other legal documents proposed to effect a Transfer of this Agreement.

ARTICLE VIII

FINANCING, AND SUBORDINATION OF CITY DEED OF TRUST

8.1 Mortgages and Deeds of Trust for Development. Mortgages and deeds of trust, or any other reasonable security instrument are permitted to be placed upon the Improvements and Developer’s leasehold interest in the Property only for the purpose of securing loans for the purpose of financing the design and construction of the Improvements, permanent financing, and other expenditures reasonably necessary for the development and operation of the Project pursuant to this Agreement. No such instruments shall be recorded against City’s fee interest in the Property. Developer shall not enter into any conveyance for such financing that is not contemplated in the applicable Financing Plan as it may be updated with City approval, without the prior written approval of the City Manager or his or her designee. As used herein, the terms “mortgage” and “deed of trust” shall mean any security instrument used in financing real estate acquisition, construction or land development.

8.2 Subordination. The City agrees that City will not withhold consent to reasonable requests for reasonable subordination of the City's Deed of Trust, Assignment [Affordable Housing Covenant] to the deed of trust securing the primary construction and/or permanent financing for the Project identified in the approved final Financing Plan as it may be updated with City approval, provided that the instruments effecting such subordination include reasonable protections to the City in the event of default, including without limitation, the provisions set forth in this Section. The Deed of Trust may only be subordinated to deeds of trust recorded to secure repayment of financing provided by state or federally chartered financial institutions, public agencies, and nonprofit corporations or other entities that are unaffiliated with Developer or any of its partners or their affiliated entities. Any subordination agreement must provide the following: (i) City shall be provided with a copy of any notice of default concurrently with the lender's provision of such notice to Developer, (ii) the City shall have the right to cure any default of Developer, (iii) the City shall be provided a sixty (60) day or longer period to cure any default, (iv) the subordination will be effective only during the original term of the senior loan and any extension of the term approved by City in writing, (v) absent City's prior written consent, the senior loan documents will not be amended to increase the amount, extend the maturity date, increase the interest rate, or increase the payment amounts due under the senior loan documents, (vi) the subordination shall not limit the effect of the Deed of Trust prior to a senior lender's foreclosure, nor require the City to obtain the senior lender's consent prior to the City's exercise of remedies under the City loan documents or the Ground Lease (but the Ground Lease itself shall have reasonable mortgagability provisions, including lender cure rights).

8.3 Holder Not Obligated to Construct. The holder of any mortgage or deed of trust authorized by this Agreement shall not be obligated to complete construction of the Project (except that if such holder succeeds to the lessee's interest under the Ground Lease, the failure to timely cure a default under the terms of the Ground Lease relating to construction of the Project shall entitle City, as landlord, to terminate the Ground Lease), or to guarantee such completion. Nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

8.4 Modifications to Ground Lease. City shall not unreasonably withhold its consent to modifications of the Ground Lease form requested by Project lenders or the Investor Limited Partner provided such modifications do not adversely affect City's substantive rights or increase City's obligations under this Agreement or the form of Ground Lease attached hereto.

8.5 Estoppel Certificates. Either Party shall, at any time, and from time to time, within fifteen (15) days after delivery of written request from the other Party, execute and deliver to such Party a written statement certifying that, to the knowledge of the certifying Party: (i) this Agreement is in full force and effect and a binding obligation of the Parties (if such be the case), (ii) this Agreement has not been amended or modified, or if so amended, identifying the amendments, and (iii) the requesting Party is not in default in the performance of its obligations under this Agreement, or if in default, describing the nature of any such defaults.

ARTICLE IX

DEFAULTS, REMEDIES AND TERMINATION

9.1 Event of Developer Default. The following events shall constitute an event of default on the part of Developer hereunder (“**Developer Event of Default**”):

- (a) A Transfer occurs, either voluntarily or involuntarily, in violation of Article VII;
- (b) Developer breaches any obligation of Developer herein, and fails to cure such obligation within thirty (30) days after written notice from City.
- (c) Developer fails to timely close the transaction described in this Agreement for any reason other than a default by City; [if Developer does not secure financing or there is a failure of a condition precedent, this should not be an event of default]
- (d) Any representation or warranty contained in this Agreement or in any application, financial statement, certificate or report submitted to the City in connection with this Agreement proves to have been incorrect in any material respect;
- (e) If, pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors (“**Bankruptcy Law**”), Developer or any general partner thereof: (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Developer or any general partner thereof in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Developer or any general partner thereof; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due;
- (f) A court of competent jurisdiction shall have made or entered any decree or order (1) adjudging the Developer to be bankrupt or insolvent, (2) approving as properly filed a petition seeking reorganization of the Developer or seeking any arrangement for Developer under bankruptcy law or any other applicable debtor's relief law or statute of the United States or any state or other jurisdiction, (3) appointing a receiver, trustee, liquidator, or assignee of the Developer in bankruptcy or insolvency or for any of its properties, or (4) directing the winding up or liquidation of the Developer, in each case if such decree, order, petition, or appointment is not removed or rescinded within sixty (60) days;
- (g) Developer shall have assigned its assets for the benefit of its creditors (other than pursuant to a mortgage loan) or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been returned or released within sixty (60) days after such event (unless a lesser time period is permitted for cure pursuant to paragraphs (h) or (i) above or pursuant to any other mortgage on the Property, in which event such lesser time period shall apply under this subsection as well) or prior to any sooner sale pursuant to such sequestration, attachment, or execution;

(h) The Developer shall have voluntarily suspended its business or Developer shall have been dissolved or terminated.

9.2 City Default. An event of default on the part of City (“**City Event of Default**”) shall arise hereunder if City fails to keep, observe, or perform any of its covenants, duties, or obligations under this Agreement, and the default continues for a period of thirty (30) days after written notice thereof from Developer to City, or if longer than thirty days is required to cure, then City shall not be in default unless City fails to commence the cure within the thirty days after notice, or thereafter fails to prosecute the cure with reasonable diligence.

9.3 City’s Right to Terminate Agreement. If a Developer Event of Default shall occur and be continuing beyond any applicable cure period, then City shall, in addition to other rights available to it under law or this Agreement, have the right to terminate this Agreement. If City makes such election, City shall give written notice to Developer specifying the nature of the default and stating that this Agreement shall expire and terminate on the date specified in such notice, and upon the date specified in the notice, this Agreement and all rights of Developer under this Agreement, shall expire and terminate.

9.4 City’s Remedies and Rights Upon an Event of Developer Default. Upon the occurrence of a Developer Event Default, City shall have all remedies available to it under this Agreement or under law or equity.

9.5 Developer’s Remedies Upon a City Event of Default. Upon the occurrence of a City Event of Default, Developer shall have all remedies available to it under this Agreement or under law or equity..

9.6 Remedies Cumulative; No Consequential Damages. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different time, of any other rights or remedies for the same or any other default by the other Party. Notwithstanding any contrary provision of this Agreement, a Party’s right to recover damages in the event of a default shall be limited to actual damages and shall exclude consequential damages.

9.7 Inaction Not a Waiver of Default. No failure or delay by either Party in asserting any of its rights and remedies as to any default shall operate as a waiver of such default or of any such rights or remedies, nor deprive either Party of its rights to institute and maintain any action or proceeding which it may deem necessary to protect, assert or enforce any such rights or remedies in the same or any subsequent default.

9.8 Construction Plans. If this Agreement is terminated by mutual agreement of the Parties or by City as a result of a Developer Event of Default, pursuant to, and in accordance with the Assignment Agreement, subject to the rights of any senior lenders, the Developer, at no cost to the City, shall deliver to the City copies of all construction plans and studies in the Developer's possession or in the possession of the Developer's consultants related to development of the Project on the Property, including without limitation, the Construction Plans.

9.9 Rights of Limited Partners. Whenever City delivers any notice of default hereunder, City shall concurrently deliver a copy of such notice to the Investor Limited Partner in accordance with Section 11.3. The Investor Limited Partner shall have the same right as Developer to cure or remedy any default hereunder within the cure period provided to Developer; provided however, if the default is of such nature that the Investor Limited Partner reasonably determines that it is necessary to replace the general partner of Developer in order to cure such default, then the cure period shall be extended by an additional sixty (60) days after the removal and replacement of such general partner, provided that the Investor Limited Partner has promptly commenced and diligently proceeded with all requisite actions to effect such removal and replacement.

ARTICLE X

INDEMNITY AND INSURANCE

10.1 Indemnity. To the greatest extent allowed by law, Developer shall indemnify, defend (with counsel approved by City) and hold the Indemnitees harmless from and against any and all Claims (including without limitation, Claims arising from any injury, death, illness, property damage, or loss of property) arising directly or indirectly, in whole or in part, as a result of or in connection with Developer's performance or failure to perform under this Agreement, including without limitation, Claims arising or alleged to have arisen in connection with any violation of Applicable Laws or approval of this Agreement, and claims for prevailing wages. Developer's indemnification obligations under this Section 10.1 shall not extend to Claims to the extent arising from the gross negligence or willful misconduct of Indemnitees. Developer's obligations under this Section 10.1 shall survive the expiration or earlier termination of this Agreement and are subject to the provisions of Section 10.2.

10.2 Terms Applicable to Indemnity Provisions. The terms set forth in this Section 10.2 shall apply to all provisions of this Agreement that pertain to Developer's obligations to indemnify City and the other Indemnitees, including without limitation, Sections 5.11, 5.14, 5.15, 6.1, 6.7, 10.1, 10.2, and 11.1. In connection with each such provision, all of the following shall apply:

(a) City does not and shall not waive any rights against Developer that it may have by reason of any indemnity and hold harmless provision set forth in this Agreement because of the acceptance by City, or the deposit with City by Developer, of any of the insurance policies described in this Agreement.

(b) Developer's obligation to indemnify the Indemnitees shall not be limited or impaired by any of the following: (i) any amendment or modification of any City Document; (ii) any extensions of time for performance required by any City Document; (iii) any provision in any of the City Documents limiting City's recourse to property securing the City Loan, or limiting the personal liability of Developer, or any other party for payment of all or any part of the City Loan; (iv) the accuracy or inaccuracy of any representation and warranty made by Developer under this Agreement or by Developer or any other party under any City Document, (v) the release of Developer or any other person, by City or by operation of law, from performance of any obligation under any City Document; (vi) the release or substitution in whole

or in part of any security for repayment of the City Loan; and (vii) City's failure to properly perfect any lien or security interest given as security for repayment of the City Loan.

(c) The obligation of Developer to indemnify the Indemnitees shall survive any repayment or discharge of the indebtedness evidenced by the City Note, any foreclosure proceeding, any foreclosure sale, any delivery of any deed in lieu of foreclosure, any release of record of the lien of the Deed of Trust, and the expiration or earlier termination of this Agreement and the Ground Lease.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1 No Brokers. Each Party warrants and represents to the other that no person or entity can properly claim a right to a real estate commission, brokerage fee, finder's fee, or other compensation with respect to the transactions contemplated by this Agreement. Each Party agrees to defend, indemnify and hold harmless the other Party from any claims, expenses, costs or liabilities arising in connection with a breach of this warranty and representation. The terms of this Section shall survive the close of escrow and the expiration or earlier termination of this Agreement.

11.2 Notices. Except as otherwise specified in this Agreement, all notices to be sent pursuant to this Agreement shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other Parties in accordance with this Section. All such notices shall be sent by: (i) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt; or (ii) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service.

City: City of Hawthorne
4455 W. 126th St.
Hawthorne, CA 90250
Attention: City Manager

With a required copy to:

City of Hawthorne
4455 W. 126th St.
Hawthorne, CA 90250
Attention: City Attorney

Developer:

Cordary Avenue, L.P.
c/o Abode Communities
2420 E. Cesar Chavez Ave., Unit #101
Los Angeles, CA 90033

11.3 Attorneys' Fees. If either Party fails to perform any of its obligations under this Agreement, or if any dispute arises between the Parties concerning the meaning or interpretation of any provision hereof, then the prevailing Party in any proceeding in connection with such dispute shall be entitled to the costs and expenses it incurs on account thereof and in enforcing or establishing its rights hereunder.

11.4 Waivers; Modification. No waiver of any breach of any covenant or provision of this Agreement shall be deemed a waiver of any other covenant or provision hereof, and no waiver shall be valid unless in writing and executed by the waiving Party. An extension of time for performance of any obligation or act shall not be deemed an extension of the time for performance of any other obligation or act, and no extension shall be valid unless in writing and executed by the Party granting the extension. This Agreement may be amended or modified only by a written instrument executed by the Parties.

11.5 Binding on Successors. Subject to the restrictions on Transfers set forth in Article VII, this Agreement shall bind and inure to the benefit of the Parties and their respective permitted successors and assigns. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any permitted successor and assign of such Party who has acquired an interest in compliance with this Agreement or under law.

11.6 Survival. All representations made by Developer hereunder, Developer's indemnity and defense obligations hereunder, and all other provisions that expressly so state, shall survive the expiration or termination of this Agreement.

11.7 Headings; Interpretation; Statutory References. The section headings and captions used herein are solely for convenience and shall not be used to interpret this Agreement. The Parties acknowledge that this Agreement is the product of negotiation and compromise on the part of both Parties, and the Parties agree, that since both Parties have participated in the negotiation and drafting of this Agreement, this Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it. All references in the City Documents to particular statutes, regulations, ordinances or resolutions of the United States, the State of California, or the City of Hawthorne shall be deemed to include the same statute, regulation, ordinance or resolution as hereafter amended or renumbered, or if repealed, to such other provisions as may thereafter govern the same subject.

11.8 Action or Approval. Whenever action and/or approval by City is required under this Agreement, the City Manager or his or her designee may act on and/or approve such matter unless specifically provided otherwise, or unless the City Manager determines in his or her discretion that such action or approval requires referral to the City Council for consideration.

11.9 Entire Agreement. This Agreement, including Exhibits A through __ attached hereto and incorporated herein by this reference, together with the other City Documents, contain the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior written or oral agreements, understandings, representations or statements between the Parties with respect to the subject matter hereof. If the Exhibits to this Agreement are inconsistent with this Agreement, the more restrictive requirements shall control, as determined by the City Manager. In the event of a conflict between this Agreement and the other City Documents, the more restrictive requirements shall control, as determined by the City Manager.

11.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original and all of which taken together shall constitute one instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto having additional signature pages executed by the other Party. Any executed counterpart of this Agreement may be delivered to the other Party by facsimile and shall be deemed as binding as if an originally signed counterpart was delivered.

11.12 Severability. If any term, provision, or condition of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect unless an essential purpose of this Agreement is defeated by such invalidity or unenforceability.

11.11 No Third-Party Beneficiaries. Nothing contained in this Agreement is intended to or shall be deemed to confer upon any person, other than the Parties and their respective successors and assigns, any rights or remedies hereunder.

11.12 Parties Not Co-Venturers; Independent Contractor; No Agency Relationship. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another. The relationship of Developer and City is and shall remain solely that of a debtor and a creditor (or landlord and tenant, under the Ground Lease), and shall not be construed as a joint venture, equity venture, partnership or any other relationship. City neither undertakes nor assumes any responsibility or duty to Developer (except as expressly provided in this Agreement) or to any third party with respect to the Project or the City financing described herein. Developer and its employees are not employees of City but rather are, and shall always be, considered independent contractors. Furthermore, Developer and its employees shall at no time hold themselves out as employees or agents of City. Developer shall not have any authority to act as an agent of City or to bind City to any obligation.

11.13 Time of the Essence; Calculation of Time Periods. Time is of the essence for each condition, term, obligation and provision of this Agreement. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is not a business day, in which event the period shall run until the next business day. The final day of any such period shall be deemed to end at 5:00 p.m., local time at the Property. For purposes of this Agreement, a

“business day” means a day that is not a Saturday, Sunday, a federal holiday or a state holiday under the laws of the State of California.

11.14 Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws. Any action to enforce or interpret this Agreement shall be filed and heard in the Superior Court of Los Angeles County, California or in the Federal District Court for the Southern District of California.

11.15 Political Activity. None of the funds, materials, property or services contributed by City to Developer under this Agreement shall be used for any partisan political activity or the election or defeat of any candidate for public office.

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

11.17 Conflict of Interest.

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

(b) In accordance with Government Code Section 1090 and the Political Reform Act, Government Code Section 87100 *et seq.*, no person who is a director, officer, partner, trustee or employee or consultant of the Developer, or immediate family member of any of the preceding, shall make or participate in a decision, made by the City or a City board, commission or committee, if it is reasonably foreseeable that the decision will have a material effect on any source of income, investment or interest in real property of that person or the Developer. Interpretation of this Section shall be governed by the definitions and provisions used in the Political Reform Act, Government Code Section 87100 *et seq.*, its implementing regulations manual and codes, and Government Code Section 1090.

IN WITNESS WHEREOF, the Parties have entered into this Agreement effective as of the date first written above.

CITY:

CITY OF HAWTHORNE,
a municipal corporation

By: _____
_____, City Manager

Attest:

_____, City Clerk

APPROVED AS TO FORM:

David Caceres, City Attorney

DEVELOPER:

CORDARY AVENUE, L.P., a California limited partnership

By: Cordary Avenue GP, LLC, a California limited liability company, its general partner

By: Abode Communities, a California nonprofit public benefit corporation, its sole member

By: _____
Lara Regus, its Senior Vice President, Development

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Exhibit A

LEGAL DESCRIPTION OF THE PROPERTY

The land in the County of Los Angeles, State of California, described as follows:

THE SOUTHERLY 24 FEET OF LOT 308 OF DIVISION "B" AND LOT 309 OF DIVISION "B", EXCEPT THE SOUTHERLY 20 FEET OF SAID LOT 309, BOTH OF TRACT NO. 874, IN THE CITY OF HAWTHORNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 17 PAGES 110 AND 111](#) OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SAID DESCRIPTION IS MADE PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT/CERTIFICATE OF COMPLIANCE RECORDED MAY 5, 2010 AS [INSTRUMENT NO. 20100643861 OF OFFICIAL RECORDS](#).

[Assessor's Parcel Number: 4051-030-902](#)

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Exhibit B

PRE-CLOSING SCHEDULE

[INTENTIONALLY OMITTED]

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Exhibit C

FORM OF CITY PROMISSORY NOTE

(Attached.)

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SECURED PROMISSORY NOTE

(City Loan)

\$7,000,000.00 _____, 2026
Hawthorne, California

FOR VALUE RECEIVED, _____, a California [limited partnership] (the “**Maker**”), having an address of _____, promises to pay the CITY OF _____, or order (“**Holder**”), the initial principal sum of SEVEN MILLION AND NO/100 DOLLARS (\$7,000,000.00), or so much thereof as shall have been disbursed to or as directed by Maker, with simple interest at the rate of **Three Percent (3%)** per annum on all principal from and after the date it is disbursed. [As of the date of this Note, the outstanding principal balance hereof is \$ _____ .00.][ANY CLOSING DISBURSEMENTS/REIMBURSEMENT?]

1. DDLA; Construction Loan; Disbursements of Principal. This Note is made pursuant to Section 4.1 of that Disposition, Development and Loan Agreement dated as of _____, 2026 (the “**DDLA**”) between _____ and City of Hawthorne (“**City**”). All capitalized terms not otherwise defined herein shall have the meaning set forth in the DDLA.

Disbursements of the principal of this Note shall be made in accordance with and subject to Section 4 of the DDLA.

Pursuant to the DDLA, Maker and Holder have entered into a ground lease (“**Ground Lease**”) under which Maker has acquired a ground leasehold that certain real property defined in the DDLA as the “**Site**”, and will construct on the Site a multi-family residential project (the “**Project**”) consisting of 93 residential units, including a manager’s unit (the “**Units**”), as described in the Ground Lease.

2. Security for Note. The obligations of Maker under this Note to pay principal and interest are secured by a leasehold deed of trust, assignment of rents, security agreement and fixture filing (the “**Deed of Trust**”) from Maker to Holder encumbering Maker’s interest under the Ground Lease and, among other things, Maker’s interest in the improvements and fixtures now existing or hereafter constructed upon the Site. Payment of this Note is also secured by an Assignment of Architects/Engineers Agreements and Plans and Specifications, with Consents executed by Maker in favor of Holder (“**Assignment**”).

3. Payments; Mandatory Prepayment; Maturity Date. Payment shall be made in lawful money of the United States to Holder at 4455 W. 126th Street, Hawthorne, CA 90250, Attention: _____. The place of payment may be changed from time to time as the Holder may from time to time designate in writing.

Within ten (10) business days after Maker’s limited partner pays its capital contribution following issuance of the IRS Form 8609 for the Project, Maker shall pay to Holder as a prepayment and reduction of the outstanding principal balance of this Note, a one-time payment in the amount of fifty percent (50%) of the Excess Proceeds; [provided, however, that if other public agency construction lenders require payment of Excess Proceeds, then Excess Proceeds

shall be payable to City and such other public agencies pro rata in proportion to their initial maximum loan amounts for the Project.][WHEN THIS NOTE IS FINALIZED, DETERMINE WHETHER SUCH OTHER LENDERS EXIST AND WHETHER THEY ARE TO BE PAID EXCESS PROCEEDS] .

As used in the preceding paragraph, the term “**Excess Proceeds**” shall mean the sum of all sources of funding received by Maker to finance the operation of the Property or the construction of the Project, less the sum of actual uses of such funding for the Project, as shown by reasonable evidence delivered to Holder. For the purpose of calculating Excess Proceeds, Project sources of funding shall include any net rental income received prior to the date that the Project’s conventional construction loan (excluding the City Loan) converts to a permanent loan, and any deferred developer fee, and shall take into consideration any reduction or increase in equity contributions by the limited partner.

Additionally, periodic payments of interest and principal shall be made to Holder from “**Holder’s Pro-Rata Share**” of “**Surplus Cash**”, defined in Section 4 below, except as otherwise provided in the last two paragraphs of Section 4 below with respect to “Excess Proceeds”.

To the extent there is Surplus Cash available from the Project, Maker shall pay to Holder, on an annual basis, payments of Holder’s Pro-Rata Share of all such Surplus Cash (as defined below). The first payment under this Note shall be due on the first May 1 after the earlier of (i) six (6) months after the issuance of a certificate of occupancy for any portion of the Project or (ii) closing of permanent financing for the Project as determined in good faith by Holder. Each subsequent payment shall be due on May 1 of each calendar year thereafter.

Any unpaid principal amount owing from year to year shall continue to accrue interest. All payments made hereunder shall be credited first to any accrued but unpaid interest, then to current interest due and owing and lastly to principal. Interest not paid current shall accrue and shall not be compounded.

Notwithstanding the foregoing, the entire outstanding balance of principal and interest owing under this Note shall be due and payable on the date that is fifty-five (55) years from the date hereof.

4. Definitions of Holder’s Pro-Rata Share; Surplus Cash; and Excess Refinancing Proceeds. The term “**Holder’s Pro-Rata Share**” shall mean _____ percent (___%).

[This percentage is fifty percent (50%), divided by (ii) a fraction, the numerator of which is the maximum principal amount of the loan evidenced by this Note, and the denominator of which is the sum of the maximum principal amounts of all loans to Maker by governmental entities that are secured by Maker’s interest in the Project and which are construction loans for the Project, and on which are to be made payments from a percentage of “Surplus Cash” (calculated the same way as the percentage payable to Holder)].

The term “**Surplus Cash**” shall mean the sum of money computed on a 12-month basis based on the calendar year (January 1 through December 31) as follows:

All rents, revenues, consideration or income (of any form) derived by Maker in connection with or relating to the ownership or operation of the Project, including any Excess Refinancing Proceeds (hereinafter defined) derived from any refinancing of the Project but excluding initial loan proceeds, insurance proceeds and partner capital contributions and less all of the following: (i) all customary and reasonable costs and expenses in connection with the operation and maintenance of the Project; (ii) a reasonable, fair market property management fee, as approved by Holder; (iii) principal and interest paid by Maker on account of any loan(s) or other obligations approved by Holder (but not payments based on Surplus Cash, residual receipts, net cash flow or similar payments on loans); (iv) amounts (previously approved by Holder) expended to restore the Project after a casualty loss or condemnation; (v) reasonable and customary cost for accounting and auditing the books and records of the Project; (vi) an administrative or asset management fee charged by a tax credit investment partner (“**Investor Asset Management Fee**”) not to exceed \$5,000.00 adjusted annually by up to 3%; (vii) any deferred developer fee payment (where such deferred developer fee was previously approved by Holder); (viii) a management fee (“**Partnership Management Fee**”) not to exceed the lesser of (i) \$20,000 (which amount may be adjusted annually by three percent (3%), beginning on the first anniversary date of this Note and on each anniversary thereafter) or (ii) a fair market partnership management fee (as determined in good faith by Holder); such Partnership Management Fee is paid to the general partner for performing its general partnership duties, including but not limited to reviewing the monthly operating budget; overseeing the performance of the property manager; meetings, coordination and conflict resolution with the adjacent property owner; reviewing and approving the annual operating budget; preparing, reviewing, and approving annual partnership reports; reviewing and approving tax returns; coordination with the investor limited partner; and resolution of miscellaneous issues normally associated with the ownership and operation of multi-family housing; (ix) amounts reserved by Maker as a replacement reserve account (limited to \$300.00 per unit per year and deposited in an account approved by Holder) and other reserves required by the tax credit investment partner or other senior financing secured for the Project, or included in the annual operating budget approved by Holder.

The following shall not be deductions in the calculation of Surplus Cash, and will be payable from Maker’s share of residual receipts: (i) any incentive management fee, (ii) any amount in excess of the permitted partnership management fee and asset management fee, including any unpaid and accrued portion of such fees, (iii) developer fees and interest on any deferred developer fee in excess of the amount set forth above, (iv) contributions to reserve accounts in excess of the amounts specified above, (v) expenses paid with withdrawals from reserve accounts, (vi) distributions to partners, (vii) debt service or repayment of sponsor or general partner construction loans, and (viii) depreciation, amortization, depletion, and other non-cash expenses.

The term “**Excess Refinancing Proceeds**” used in the definition of Surplus Cash above shall mean refinancing proceeds less (a) the amount of the repayment of the refinanced debt, (b) all reasonable out-of-pocket costs and expenses paid by Borrower to third parties in obtaining such refinancing, (c) all costs and expenses paid by Borrower for all capital improvements to the

completed Project completed by Borrower in accordance with the terms of the loan documents or consented to in writing by Holder for which Borrower's funds and not loan or grant funds are used (and for purposes of this clause (c), such costs may include, without limitation, reasonable architects' and engineers' fees and other reasonable "soft" costs relating to the making of such permitted capital improvements), and (d) the amount by which the Borrower's increases its reserves for the Project as a condition imposed by the refinancing lender.

Notwithstanding anything herein to the contrary, in recognition of the below-market rent provided under the Ground Lease, Holder shall have the right, exercisable in its sole and reasonable discretion, to require that all or any portion of Maker's share of Excess Refinancing Proceeds otherwise distributable to Maker be applied, as directed by Holder, to one or more of the following: (i) funding of capital improvements, deferred maintenance, or rehabilitation of the Project that Holder determines will preserve or enhance the long-term physical condition, habitability, or affordability of the Project; (ii) prepayment of principal and accrued interest under this Note (in whole or in part, without penalty); or (iii) such combination of the foregoing as Holder may approve in writing. Any Excess Refinancing Proceeds not directed by Holder pursuant to this paragraph may be distributed in accordance with the Project loan documents.

5. Reporting; Annual Statements; Annual Budget; Audit Rights. Maker shall deliver annual income/expense statements showing all revenues and expenses of the Project, on a line item basis. An audited income statement shall be delivered within ninety (90) days of the end of each calendar year along with payment of the Surplus Cash. Holder shall have the right to inspect and audit Maker's books and records concerning the calculation of Surplus Cash. If Holder does object, Holder shall specify the reasons for disapproval. Maker shall have thirty (30) days to reconcile any disapproved item. If Maker and Holder cannot agree on the amount of the Surplus Cash, an independent auditor selected by Holder and reasonably approved by Maker shall resolve any disputed items, and Maker shall specify in writing all reasons for any disapproval, and shall not unreasonably delay its response to a request from Maker for approval. The cost of the auditor shall be shared equally by Maker and Holder.

Maker shall prepare and submit to Holder a proposed annual operating budget for the management and operation of the Project for the following calendar year by no later than November 1 of each year until this Note is paid in full. The proposed budget shall include a line item showing the projected Surplus Cash from the Project for the year. Holder will review the proposed budget and, if acceptable, approve it in writing, which approval shall not be unreasonably withheld. If the budget is not acceptable, Holder shall specify the reasons for disapproval. The intent of this paragraph is to provide Holder an opportunity to disapprove any unreasonable expenses which would diminish the Surplus Cash from the Project. Once approved, any changes to any budget line item relating to discretionary items which exceed ten percent (10%) Of the line item shall require Holder's prior written consent, which consent shall not be unreasonably withheld.

6. Holder Rights to Accelerate Maturity Date. Notwithstanding anything to the contrary provided herein, Holder may elect that the entire unpaid principal of this Note and accrued interest thereon shall be due and payable if: (i) an Event of Default (as defined in the Ground Lease) by the tenant occurs under the Ground Lease; or (ii) Maker or any successor-in-interest or assignee is in default under this Note, or the Deed of Trust securing this Note, or

under the Affordable Housing Covenant, and such default is not cured within five (5) business days after written notice from Holder to Maker in the case of a monetary default, or thirty (30) days after written notice from Holder to Maker in the case of a non-monetary default (provided that if Maker promptly commences the cure of a non-monetary default, then Maker shall not be in default so long as Maker diligently prosecutes it to completion and promptly provides reasonable evidence of its diligent efforts upon written request of City).

7. Limited Partner Cure Rights. Holder shall also deliver a copy of all default notices under this Note to Maker's limited partner _____ at _____. Any partner of Maker shall have the right to cure any default within the applicable cure periods set forth above, whether in its own capacity or on behalf of Maker, and Holder shall accept such cure as if tendered by Maker. However, failure by Holder to deliver such notice to Maker's limited partner shall not be a default by Holder.

8. Maker Covenants to Comply with Affordable Housing Covenant and Ground Lease. Maker hereby covenants and agrees that it shall comply with the Ground Lease and the Affordable Housing Covenant, including the provisions of the ground lease relating to maintenance and repair of the Project, subject to any applicable notice of default and any applicable cure period thereunder.

9. No Waiver by Holder; Remedies Cumulative. Holder's failure or delay in the exercise of any right or remedy hereunder or under any the Deed of Trust, Assignment, Ground Lease or Affordable Housing Covenant shall not waive or otherwise affect any right or remedy, and all remedies shall be cumulative to the extent permitted by law.

10. Default Interest Rate. At all times when Maker is in default hereunder by reason of Maker's failure to pay principal due under this Note or any amounts due under any loan documents securing this Note, the interest rate on the sums as to which Maker is in default (including principal, if Holder has elected to declare it immediately due and payable), shall be the lower of: (i) the highest rate then allowed by law or (ii) two percent (2%) over the prime interest rate announced by Wells Fargo Bank, N.A., as of the date of the default.

11. Borrower Waivers. Maker and any endorsers hereof and all others who may become liable for all or any part of this obligation, severally waive presentment for payment, demand and protest and notice of protest, and of dishonor and nonpayment of this Note, and expressly consent to any extension of the time of payment hereof or of any installment hereof, to the release of any party liable for this obligation, and any such extension or release may be made without notice to any of said parties and without any way affecting or discharging this liability.

12. Holder Costs, Expenses. Maker agrees to pay immediately upon demand all costs and expenses of Holder including reasonable attorneys' fees, (i) if after default this Note be placed in the hands of an attorney or attorneys for collection, (ii) if after a default hereunder or under the Deed of Trust, the Assignment, the Ground Lease, or the Affordable Housing Covenant, Holder finds it necessary or desirable to secure the services or advice of one or more attorneys with regard to collection of this Note against Maker, any guarantor or any other party liable therefor or to the protection of its rights under this Note, the Deed of Trust, Assignment, the Ground Lease or other loan document, or (iii) if Holder seeks to have the Site abandoned by

or reclaimed from any estate in bankruptcy, or attempts to have any stay or injunction prohibiting the enforcement or collection of the Note or prohibiting the enforcement of the Deed of Trust or any other agreement evidencing or securing this Note lifted by any bankruptcy or other court.

If Holder shall be made a party to or shall intervene in good faith in any action or proceeding, whether in court or before any governmental City, affecting the property or the title thereto or the interest of the Holder under the Deed of Trust, including, without limitation, any form of condemnation or eminent domain proceeding, Holder shall be reimbursed by Maker immediately upon demand for all costs, charges and attorneys' fees incurred by Holder in any such case, and the same shall be secured by the Deed of Trust as a further charge and lien upon the Site.

13. Notices. Any notices provided for in this Note shall be given in accordance with the notices provision of the Ground Lease.

14. Applicable Law. This Note shall be construed in accordance with and be governed by the laws of the State of California.

15. Severability. If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

16. Nonrecourse. Except for any misrepresentation or willful misconduct by Maker or its members, officers, partners or employees, this Note is nonrecourse, and neither Maker nor any member, officer, partner or employee of Maker shall have any personal liability for repayment of the sums evidenced hereby.

MAKER:

Exhibit D

FORM OF DEED OF TRUST

(Attached.)

DRAFT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Hawthorne
4455 W. 126th Street,
Hawthorne, CA 90250
Attention: City Manager

With a copy to: _____

No fee required for recording pursuant
to Government Code §27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

(CITY LOAN)

This LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING, together with the Addendum to Leasehold Deed of Trust attached hereto as Exhibit "B" and made a part hereof (the "**Leasehold Deed of Trust**"), is dated as of _____, 2026, and is executed and delivered by _____, L.P., a California limited partnership, whose address is _____ ("**Trustor**"), to and in favor of the CITY OF HAWTHORNE, whose address is first set forth above ("**Trustee**") and for the benefit of CITY OF HAWTHORNE ("**Beneficiary**").

Trustor, as tenant, and Beneficiary, as landlord, have entered into a Ground Lease dated substantially concurrently herewith (including any future amendments, the "**Ground Lease**") evidenced by a Memorandum of Ground Lease recorded in the Official Records of Los Angeles County, California, substantially concurrently herewith, under which Trustor has acquired a leasehold estate in real property on which Trustor is constructing a low income affordable housing development. The loan from Beneficiary to Trustor secured by this Deed of Trust is a construction and development loan (which in effect becomes a long term permanent loan upon completion of the improvements). Other lenders may obtain security interests (by virtue of leasehold deeds of trust) in the Trustor's interest under the Ground Lease, and this Deed of Trust may be subordinated to one or more of such other deeds of trust by virtue of recorded subordination agreements executed by Beneficiary and such other lender(s).

Trustor irrevocably grants, conveys, transfers and assigns to Trustee in trust, with power of sale and right of entry and possession, all of Trustor's estate, right, title and interest in, to and under the Ground Lease, following property (collectively, the "**Property**"): (a) the land in Los Angeles County, California described on Exhibit "A" attached hereto, together with all existing and future easements and rights affording access to it (the "**Land**"), (b) together with all buildings, structures and improvements now existing or hereafter constructed thereon (the "**Improvements**"), (c) together with all articles of personal property now or hereafter attached

to, placed upon for an indefinite term, or used in connection with the Land and/or Improvements, together with all goods and other property, including such personal property that is, or at any time becomes, so related to or installed on or attached to the Property that an interest in them arises under real estate law, or they are otherwise adjudged to be a "fixture" under applicable law (each a "**Fixture**," collectively "**Fixtures**"), (d) together with all other property and interests of any kind or character which may be reasonably necessary or desirable to promote the present and future beneficial use and enjoyment of such real property and improvements.

1. Secured Obligations. Trustor makes the grant, conveyance, transfer and assignment herein for the purpose of securing the following obligations (the "**Secured Obligations**"): (a) payment of the sum of \$7,000,000.00, which is evidenced by a promissory note (the "**Note**") of substantially even date herewith in such amount, executed by Trustor in favor of Beneficiary or order and any extension or other modifications thereof; (b) payment of such further sums as the then record owner of the Property may borrow from Beneficiary, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust; and (c) performance by Trustor of the terms of this Leasehold Deed of Trust.

2. Maintenance and Repair. Trustor shall maintain and repair the Property in accordance with the terms of the Ground Lease.

3. Insurance. Trustor shall maintain the insurance required by Ground Lease.

4. Defense of Security. Trustor shall appear in and defend any action or proceeding purporting to affect the security or the rights or powers of Beneficiary or Trustee. Trustor shall pay all costs and expenses, including costs of evidence of title and attorneys' fees, in any such action or proceeding in which Trustee or Beneficiary may appear, and in any suit brought by Beneficiary to foreclose this Leasehold Deed of Trust.

5. Payment of Taxes and Liens. Trustor shall pay all property taxes (including possessory interest taxes) and assessments affecting the Property in accordance with the Ground Lease. Trustor shall pay, when due, all encumbrances, charges and liens, with interest, on the Property, which are or appear to be prior or superior to this Leasehold Deed of Trust, and upon demand all costs, fees and expenses of this Leasehold Deed of Trust. If Trustor fails to make any payment or to do any act provided for in this Leasehold Deed of Trust, then Beneficiary or Trustee may, without obligation to do so, and with or without notice to or demand upon Trustor, and without releasing Trustor from any obligation under this Leasehold Deed of Trust: (a) make or do the same in such manner and to such extent as either may deem necessary to protect the security, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; (b) appear in or commence any action or proceeding purporting to affect the security, or the rights or powers of Beneficiary or Trustee; (c) pay, purchase, contest or settle any encumbrance, charge or lien which in the judgment of either appears to be senior to this Leasehold Deed of Trust; and (d) in exercising any such powers, pay allowable expenses, including attorneys' fees.

6. Reimbursement of Costs. Trustor shall pay upon demand all sums expended by Beneficiary or Trustee provided for in this Leasehold Deed of Trust or allowed by law, with interest from date of expenditure at the default interest rate provided in the Note.

7. **No Waiver.** By accepting payment of any sum after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums or declare a default for failure to pay.

8. **Reconveyance.** That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Leasehold Deed of Trust and said note or notes to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals of such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as “the person or persons legally entitled thereto.”

9. **Assignment of Rents.** Trustor hereby absolutely and unconditionally assigns to Beneficiary all of the rents, issues, profits, royalties, revenues, income and other benefits (collectively, the “**Rents**”) derived from the Property, whether now due, past due or to become due, and hereby gives to and confers upon Beneficiary, either directly or through a receiver, the right, power and authority, but not the obligation, to collect the Rents, and to sue, either in the name of Trustor or Beneficiary, for all such Rents and to apply the same to the indebtedness secured hereby in such order as Beneficiary may determine in its sole discretion. This assignment of Rents is intended to create and shall be construed to create an absolute assignment to Beneficiary of all of Trustor’s right, title and interest in the Rents, the foregoing, so long as no default exists by Trustor in the payment of any indebtedness secured hereby, or in any other covenant contained herein, or in said note or notes or in any other document evidencing or securing such indebtedness, Trustor shall have the right to collect all Rents from the Property and to retain, use and enjoy the same. Upon the occurrence of such a default, without the necessity of demand or other notice to Trustor or any other act to enforce Beneficiary’s interest pursuant to this assignment, Trustor shall have no interest whatsoever in the Rents that are received by Trustor after a default, and all such Rents shall be received and held by Trustor in constructive trust for Beneficiary and delivered promptly to Beneficiary, or to a court appointed receiver for the Property, without the necessity for further notice to, or demand upon, Trustor. Upon the occurrence of such a default and at any time thereafter during the continuance thereof, Beneficiary may, at its option, send any tenant of the Property a notice to the effect that: (a) a default has occurred; (b) Beneficiary has elected to exercise its rights under this assignment; and (c) such tenant is thereby directed to thereafter make all payments of Rents to or for the benefit of Beneficiary or as Beneficiary shall direct. Any such tenant shall be entitled to rely upon any notice from Beneficiary and shall be protected with respect to any payment of Rents made pursuant to such notice, irrespective of whether a dispute exists between Trustor and Beneficiary with respect to the existence of a default or the rights of Beneficiary hereunder. Any such tenant shall not be required to investigate or determine the validity or accuracy of such notice or the validity or enforceability of this assignment. Trustor hereby agrees to indemnify, defend and hold any such tenant harmless from and against any and all losses, claims, damages or liabilities arising from or related to any payment of Rents by such tenant made in reliance on and pursuant to such notice.

10. **Default and Foreclosure.** Upon default by Trustor in payment or performance of any Secured Obligation, subject to any applicable cure period, Beneficiary may declare all sums secured immediately due and payable by delivery to Trustee of a declaration of default and

demand for sale and of a notice of default and of a notice of sale, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Leasehold Deed of Trust, said note or notes and all documents evidencing expenditures secured by this Leasehold Deed of Trust. Upon default of any obligation secured by this Leasehold Deed of Trust and acceleration of all sums due, Beneficiary may instruct Trustee to proceed with a sale of the Property under the power of sale granted in this Leasehold Deed of Trust, noticed and held in accordance with California Civil Code Sections 2924, et seq., as such statutes may be amended from time to time. Trustor waives all rights it may have to require marshaling of assets or to require sales of assets in any particular order, including any rights under California Civil Code Sections 2899 and 3455.

11. **Substitution of Trustee.** Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where the Property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Leasehold Deed of Trust is recorded and the name and address of the new Trustee.

12. **Successors and Assigns.** This Leasehold Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall mean the owner and holder, including pledgees, of the secured note or notes, whether or not named as Beneficiary herein.

13. **Trustee Acceptance.** Trustee accepts this trust when this Leasehold Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Leasehold Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

14. **Further Assurances.** Trustor shall, at its own cost and expense, do, execute, acknowledge, and deliver all and every such further acts, deeds, conveyances, mortgages, assignments, notices of assignments, transfers, and assurances as Trustee or Beneficiary shall from time to time require, for better assuring, conveying, assigning, transferring, and confirming unto Trustee the Property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Trustor may be or may hereafter become bound to convey or assign to Trustee, or for carrying out the intention or facilitating the performance of the terms of this Leasehold Deed of Trust, or for filing, registering, or recording this Leasehold Deed of Trust. Trustor shall, on demand, execute and deliver, and hereby authorizes Trustee and Beneficiary, or either of them, to execute in the name of Trustor, to the extent it may lawfully do so, one or more financing statements, chattel mortgages, or comparable security instruments, to evidence more effectively the lien hereof. Immediately upon the execution and delivery of this Leasehold Deed of Trust, and thereafter from time to time, Trustor shall cause this Leasehold Deed of Trust, and any security instruments creating a lien or evidencing the lien hereof upon any personal property and each instrument of further assurance, to be filed, registered, or recorded in such manner and

in such places as may be required by any present or future law in order to publish notice of and fully to protect the lien hereof upon, and the title of Trustee to, the Property encumbered hereby.

15. **Condemnation and Insurance Proceeds.** Trustor shall comply with the Ground Lease with respect to condemnation and insurance proceeds.

16. **Severability.** If any one or more of the provisions contained in this Leasehold Deed of Trust shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Leasehold Deed of Trust, but this Leasehold Deed of Trust shall be construed as if such invalid, illegal, or unenforceable provision had never been contained herein or therein, but only to the extent of such invalidity.

17. **Estoppel Certificates.** Trustor shall, within 10 days of a written request from Beneficiary from time to time, furnish Beneficiary with a written statement, duly acknowledged, setting forth the sums secured by this Leasehold Deed of Trust and any right of set off, counterclaim or other defense which exists against such sums and the obligations of this Leasehold Deed of Trust.

18. **California Uniform Commercial Code Security Agreement; Fixture Filing.** Trustor hereby grants Beneficiary a security interest in all personal property of Trustor located on the Property and wherever located and used in any way in connection with or in any way relating to the Property, and whether now owned or hereafter in existence, acquired or created (including equipment, inventory, goods, documents, instruments, general intangibles, chattel paper, accounts, accounts receivable, deposit accounts and contract rights), and all fixtures of Trustor now owned or hereafter in existence, acquired or created on, of or relating to the Property, and all substitutions, replacements, additions, accessions and proceeds (including insurance proceeds) of all of the foregoing (collectively, the **"Personal Property"**). Beneficiary may file this Leasehold Deed of Trust, or a reproduction hereof, in the real estate records or other appropriate index, as a financing statement for the Personal Property. Any reproduction of this Leasehold Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement. In addition, Trustor shall execute and deliver to Beneficiary, upon Beneficiary's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Leasehold Deed of Trust in such form as Beneficiary may require to perfect a security interest with respect to the Personal Property. Trustor shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. Without the prior written consent of Beneficiary, Trustor shall not create or suffer to be created pursuant to the California Uniform Commercial Code any other security interest in the Personal Property. Upon Trustor's breach of any covenant or agreement of Trustor contained in this Leasehold Deed of Trust, including the covenants to pay when due all sums secured by this Leasehold Deed of Trust, Beneficiary shall have the remedies of a secured party under the California Uniform Commercial Code and, at Beneficiary's option, may also invoke any remedies provided in this Leasehold Deed of Trust as to the Personal Property. In exercising any of such remedies, Beneficiary may proceed against the Property and any of the Personal Property separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies under

the California Uniform Commercial Code or the remedies provided in the Leasehold Deed of Trust. This Leasehold Deed of Trust also covers goods which are or which are to become fixtures on the Property and constitutes and is filed as a fixture filing under the California Uniform Commercial Code.

19. **Due On Sale or Encumbrance.** If all or any part of the Property, or any interest therein, or any interest in Trustor (if Trustor is not a natural person or persons but is a corporation, partnership, trust, limited liability company or other legal entity), is sold, transferred, mortgaged, assigned, pledged, or further encumbered, whether directly or indirectly, whether voluntarily or involuntarily or by operation of law, except as expressly permitted by the Ground Lease, Beneficiary may, at Beneficiary's option, declare all of the sums secured by this Leasehold Deed of Trust to be immediately due and payable, and Beneficiary may invoke any remedies permitted by this Leasehold Deed of Trust.

The undersigned Trustor requests that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to Trustor at Trustor's address hereinbefore set forth.

TRUSTOR:

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, _____,
(insert name and title of the officer)

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"

LEGAL DESCRIPTION

The land in the County of Los Angeles, State of California, described as follows:

THE SOUTHERLY 24 FEET OF LOT 308 OF DIVISION "B" AND LOT 309 OF DIVISION "B", EXCEPT THE SOUTHERLY 20 FEET OF SAID LOT 309, BOTH OF TRACT NO. 874, IN THE CITY OF HAWTHORNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 17 PAGES 110 AND 111 OF MAPS](#), IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SAID DESCRIPTION IS MADE PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT/CERTIFICATE OF COMPLIANCE RECORDED MAY 5, 2010 AS [INSTRUMENT NO. 20100643861 OF OFFICIAL RECORDS](#).

[Assessor's Parcel Number: 4051-030-902](#)

DRAFT

EXHIBIT B

ADDENDUM TO LEASEHOLD DEED OF TRUST

This ADDENDUM TO THE LEASEHOLD DEED OF TRUST is part of the Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (“**Leasehold Deed of Trust**”) dated as of _____, 2026, between _____, as Trustor, and the CITY OF HAWTHORNE, as Beneficiary. The following provisions are made a part of the Leasehold Deed of Trust:

1. No Discrimination. The Trustor covenants by and for itself, its heirs, executors, administrators and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises herein conveyed, nor shall the Grantee himself or herself, or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the premises herein conveyed.

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

All deeds, leases or contracts made relative to the Property, the improvements thereon or any part thereof, shall contain or be subject to the nondiscrimination/nonsegregation clauses set forth in California Health and Safety Code Section 33436.

2. Hazardous Substances.

(a) As used in this Section, the following terms shall have the following meanings:

(i) “**Environmental Laws**” means all statutes, ordinances, orders, rules, regulations, plans, policies or decrees and the like now or hereafter in effect relating to (A) Hazardous Substance Activity or Hazardous Substances; (B) the generation, use, storage, transportation or disposal of Hazardous Substances, or solid waste; or (C) occupational safety and health, industrial hygiene, land use or the protection of human, plant or animal health, safety or welfare, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. Section 9601 et seq.) (“**CERCLA**”); the Hazardous Material Transportation Act (49 U.S.C. Section 180 et seq.); the Federal Insecticide,

Fungicide, and Rodenticide Act (7 U.S.C. Section 136 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); the Clean Air Act (42 U.S.C. Section 740 et seq.); the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. Section 651 et seq.); the Safe Drinking Water Act (42 U.S.C. Section 300f et seq.); the Porter-Cologne Water Quality Control Act (California Water Code Section 13020 et seq.); the Safe Drinking Water and Toxic Enforcement Act of 1986 (California Health & Safety Code Section 25249.5 et seq.); the Hazardous Substance Account Act (California Health & Safety Code Section 25300 et seq.); the Hazardous Waste Control Act (California Health & Safety Code Section 25100 et seq.); The California Environmental Quality Act (California Public Resources Code Section 2100 et seq.); and the rules, regulations and ordinances of the City of Mill Valley or any applicable federal, state and local agencies or bureaus, as amended from time to time.

(ii) **“Foreclosure Transfer”** means the transfer of title to all or any part of the Property or the Trust Estate at a foreclosure sale under the Leasehold Deed of Trust, either pursuant to judicial decree or the power of sale contained in the Leasehold Deed of Trust, or by deed in lieu of such foreclosure.

(iii) **“Hazardous Substances”** means (A) any chemical, compound, material, mixture or substance that is now or hereafter defined or listed in, or otherwise classified pursuant to, any Environmental Laws as a “hazardous substance,” “hazardous material,” “hazardous waste,” “extremely hazardous waste,” “acutely hazardous waste,” “radioactive waste,” “infectious waste,” “biohazardous waste,” “toxic substance,” “pollutant,” “toxic pollutant,” “contaminant” as well as any other formulation not mentioned herein intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, “EP toxicity” or “TCLP toxicity”; (B) petroleum, natural gas, natural gas liquids, liquified natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas) and ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources; (C) “hazardous substance” as defined in Section 2782.6(d) of the California Civil Code; (D) “waste” as defined in Section 13050(d) of the California Water Code; (E) asbestos in any form; (F) urea formaldehyde foam insulation; (G) polychlorinated biphenyls (PCBs); (H) radon; and (I) any other chemical, material, or substance that, because of its quantity, concentration, or physical or chemical characteristics, exposure to which is limited or regulated for health and safety reasons by any governmental authority, or which poses a significant present or potential hazard to human health and safety or to the environment if released into the workplace or the environment.

(iv) **“Hazardous Substance Activity”** means any actual, proposed, or threatened use, storage, holding, existence, location, release (including, without limitation, any spilling, leaking, leaching, pumping, pouring, emitting, emptying, dumping, disposing into the environment, and the continuing migration into or through soil, surface water, groundwater or any body of water or the air), discharge, deposit, placement, generation, processing, construction, treatment, abatement, removal, disposal, disposition, handling, or transportation of any Hazardous Substance from, under, in, into, or on the Property, including without limitation, the movement or migration of any Hazardous Substances from surrounding property, surface water,

groundwater or any body of water, or the air under, in, into or onto the Property and any residual Hazardous Substances contamination in, on, or under the Property.

(v) “**Losses**” means all charges, losses, liabilities, damages (whether actual, consequential, punitive, or otherwise denominated), costs, fees, demands, claims, actions, administrative proceedings (including informal proceedings), judgments, causes of action, assessments, fines, penalties, costs, and expenses of any kind or character, foreseeable and unforeseeable, liquidated and contingent, proximate and remote, including, without limitation, the following: (A) the reasonable fees and expenses of outside legal counsel; (B) the reasonable fees and expenses of accountants, third-party consultants, and other independent contractors retained by an Beneficiary; (C) costs, including capital, operating and maintenance costs, incurred in connection with any investigation or monitoring of site conditions or any clean-up, remedial, removal or restoration work required or performed by any federal, state or local governmental agency or political subdivision or performed by any non-governmental entity or person that is required by Environmental Laws or administrative ruling or directive because of the presence, suspected presence, release or suspected release of Hazardous Substances in violation of Environmental Laws in the air, soil, surface water or groundwater at the Property; (D) any and all diminution in value of the Property, loss of use or damage to the Property, or loss of profits or loss of business opportunity; and (E) reasonable costs and expenses of enforcing this Section.

(vi) “**Environmental Losses**” means Losses arising out of or occurring as a result of: (A) the occurrence of any Hazardous Substance Activity; (B) any violation of any applicable Environmental laws relating to the Property or to the ownership, use, occupancy or operation thereof; (C) any investigation, inquiry, order, hearing, action, or other proceeding by or before any governmental agency in connection with any Hazardous Substance Activity; or (D) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnitee which directly or indirectly relates to, arises from or is based on any of the matters described in clauses (A), (B), or (C), or any allegation of any such matters.

(b) Trustor represents and warrants to Beneficiary that Trustor has conducted as appropriate inquiry and investigation, and, to the best of Trustor’s knowledge and except as previously expressly disclosed in writing by Trustor to Beneficiary, based on such inquiry and investigation, no portion of the Property is being used or has ever been used at any previous time, for the disposal, storage, treatment, processing or other handling of Hazardous Substances, nor have any Hazardous Substances migrated onto or from the Property. Neither the Property nor Trustor is in violation of or subject to any existing, pending or threatened investigation by any governmental authority under any Environmental Law. Trustor’s prior and intended use of the Property will not result in the disposal or release of any Hazardous Substances on, under, about or to the Property or the migration of any Hazardous Substances from the Property. The foregoing representations and warranties shall be continuing and shall be true and correct for the period from the date hereof to the release of this Leasehold Deed of Trust (whether by payment of the indebtedness secured hereby or foreclosure or action in lieu thereof), and these representations and warranties shall survive such release.

(c) Trustor represents and warrants to Beneficiary that Trustor has complied with all recommendations by any engineers retained by Trustor and all requirements of any applicable department of environmental resources, environmental protection agency or similar governmental agency, and there are no recommendations by said engineers or requirements ordered by said agency or any other governmental body for environmental investigation or cleanup with respect to the Property.

(d) On and after the date hereof, Trustor shall not (a) allow any Hazardous Substances to be installed, used, introduced, stored, treated, disposed of, generated, manufactured, discharged, dumped, transported or brought in, upon or over the Property in violation of applicable law; (b) allow any soil or ground water contamination or pollution with any Hazardous Substances on the Property in violation of applicable law; (c) allow any Hazardous Substances to migrate from the Property in violation of applicable law; (d) allow any Hazardous Substances to migrate onto the Property from any adjacent properties in violation of applicable law; or (e) allow or cause the Property to be in violation of, or to trigger a duly initiated and prosecuted investigation of the Property by any governmental authority under applicable limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules or timetables contained in any local, state and/or federal laws, regulations, codes, ordinances, plans, administrative or judicial orders, decrees, judgments, notices or demand letters issued, entered, promulgated or approved thereunder relating to the environment, land use, water and air quality and Hazardous Substances (“**Environmental Requirements**”).

(e) If the presence of any Hazardous Substances on the Property caused or permitted by Trustor results in any contamination of the Property, Trustor shall promptly take all actions, at its sole expense, as are necessary to return the Property to the condition existing prior to the introduction of any such Hazardous Substances to the Property; provided that Beneficiary’s approval of such actions shall first be obtained, which approval shall not be unreasonably withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Property.

(f) At any time after the occurrence and during the continuance of any default under this Section (subject to any applicable notice and cure provisions in Ground Lease), Beneficiary shall have the following rights and remedies, in addition to any other rights and remedies Beneficiary has under this Leasehold Deed of Trust:

(i) As provided in California Code of Civil Procedure Section 564, Beneficiary or its employees, acting by themselves or through a court appointed receiver may do any of the following: (i) enter upon, possess, manage, operate, dispose of, and contract to dispose of the Property or any part thereof; (ii) take custody of all accounts; (iii) negotiate with governmental authorities with respect to the Property’s environmental compliance and remedial measures; (iv) take any action necessary to enforce compliance with environmental provisions, including spending Rent Payments to abate any environmental problem; (v) make, terminate, enforce or modify leases of part or all of the Property; (vi) contract for goods and services, hire agents, employees, and counsel, make repairs, alterations, and improvements to the Property necessary in Beneficiary’s judgment to protect or enhance the security hereof; and/or (vii) take any and all other actions which may be necessary or desirable to comply with Trustor’s obligations hereunder and under the Loan Documents. All sums realized by the receiver or

Beneficiary under this subparagraph, less all costs and expenses incurred by either of them under this subparagraph, including attorneys' fees, and less such sums as Beneficiary or the receiver deems appropriate as a reserve to meet future expenses under this subparagraph, shall be applied on any indebtedness secured hereby in such order as Beneficiary shall determine. Neither application of said sums to said indebtedness, nor any other action taken by Beneficiary or the receiver under this subparagraph shall cure or waive any default or notice of default hereunder, or nullify the effect of any such notice of default. Beneficiary, or any employee or agent of Beneficiary, or a receiver appointed by a court, may take any action or proceeding hereunder without regard to the adequacy of the security for the indebtedness secured hereunder, the existence of a declaration that the indebtedness secured hereby has been declared immediately due and payable, or the filing of a notice of default.

(ii) With or without notice, and without releasing Trustor from any obligation hereunder, to cure any default of Trustor or in connection with any such default, Beneficiary or its agents, acting by themselves or through a court-appointed receiver, may enter upon the Property or any part thereof and perform such acts and things as Beneficiary deems necessary or desirable to inspect, investigate, assess, and protect the security hereof, including of any of Beneficiary's other rights: (i) to obtain a court order to enforce Beneficiary's right to enter and inspect the Property under California Civil Code Section 2929.5 (in respect of which the decision of Beneficiary as to whether there exists a release or threatened release of hazardous substance, as defined therein, onto the Property shall be deemed reasonable and conclusive as between the parties hereto); and (ii) to have a receiver appointed under California Code of Civil Procedure Section 564 to enforce Beneficiary's right to enter and inspect the Property for hazardous substances as defined therein. All costs and expenses incurred by Beneficiary with respect to the audits, tests, inspections, and examinations which Beneficiary or its agents or employees may conduct, including the fees of engineers, laboratories, contractors, consultants, and attorneys, shall be paid by Trustor. All costs and expenses incurred by Trustee and Beneficiary pursuant to this subparagraph (including court costs, consultant fees and attorney fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Note Rate, from the date they are incurred until said sums have been paid.

(iii) Beneficiary may seek a judgment that Trustor has breached its covenants, representations and/or warranties with respect to the environmental matters set forth above in this Section, by commencing and maintaining an action or actions in any court of competent jurisdiction for breach of contract pursuant to California Code of Civil Procedure Section 736, whether commenced prior to foreclosure of the Property or after foreclosure of the Property, and to seek the recovery of any and all costs, damages, expenses, fees, penalties, fines, judgments, indemnification payments to third parties, and other out-of-pocket costs or expenses actually incurred by Beneficiary or advanced by Beneficiary (collectively, the "Environmental Costs") relating to the cleanup, remediation or other response action required by applicable law or which Beneficiary believes necessary to protect the Property, it being conclusively presumed between Beneficiary and Trustor that all such Environmental Costs incurred or advanced by Beneficiary relating to the cleanup, remediation, or other response action respecting the Property were made by Beneficiary in good faith. All Environmental Costs incurred by Beneficiary under this subparagraph (including court costs, consultant fees and attorney fees, whether incurred in litigation or not and whether before or after judgment) shall bear interest at the Note Rate, from the date of expenditure until said sums have been paid. Beneficiary shall be entitled to bid, at

any sale of the Property held hereunder, the amount of said costs, expenses and interest in addition to the amount of the other obligations hereby secured as a credit bid, the equivalent of cash.

(iv) As provided in California Code of Civil Procedure Section 726.5, Beneficiary may waive its lien against the Property or any portion thereof, to the extent such property is found to be environmentally impaired as defined therein, and to exercise any and all rights and remedies of an unsecured creditor against Trustor and all of Trustor's assets and property for the recovery of any deficiency and Environmental Costs, including seeking an attachment order under California Code of Civil Procedure Section 483.010. Beneficiary and Trustor each represents and warrants for itself that it has no actual knowledge of any release of any Hazardous Substance (as defined in Section 726.5) on, to or under the Property. As between Beneficiary and Trustor, for purposes of California Code of Civil Procedure Section 726.5, Trustor shall have the burden of proving that Trustor or any related party (or any affiliate or agent of Trustor or any related party) did not cause or contribute to, and was not in any way negligent in permitting, any release or threatened release of the Hazardous Substance.

(v) Trustor acknowledges and agrees that notwithstanding any term or provision contained herein or in any promissory note or other loan documents, the Environmental Costs and all judgments and awards entered against Trustor pursuant to Section 6(f)(iv) above shall be exceptions to any nonrecourse or exculpatory provision of the loan documents, and Trustor shall be fully and personally liable for the Environmental Costs and such judgments and awards and such liability shall not be limited to the original principal amount of the obligations secured by this Leasehold Deed of Trust, and Trustor's obligations shall survive the foreclosure, deed in lieu of foreclosure, release, reconveyance, or any other transfer of the Property or this Leasehold Deed of Trust.

(g) Trustor hereby agrees to indemnify, defend and hold harmless Beneficiary from and against any and all Environmental Losses.

TRUSTOR:

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) SS.

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 of Notary Public

[SEAL]

Exhibit E

FORM OF ASSIGNMENT

(Attached.)

DRAFT

ASSIGNMENT OF ARCHITECT'S/ENGINEER'S CONTRACTS AND PLANS
(CITY LOAN)

[NOTE: IF CITY LOAN IS DISBURSED FIRST, PROCEEDS WILL PRESUMABLY BE APPLIED TO COSTS OF PLANS OR TO REIMBURSE DEVELOPER FOR COSTS OF PLANS]

THIS ASSIGNMENT OF ARCHITECT'S/ENGINEER'S CONTRACTS AND PLANS (this "**Assignment**") is made as of _____, 2026, and is executed by _____ ("**Assignor**"), in favor of the CITY OF HAWTHORNE ("**Assignee**"), pursuant to that certain Disposition, Development and Loan Agreement dated _____, 2026 by and between Assignor and Assignee (the "**DDA**").

RECITALS

A. As contemplated by the DDA, Assignee made a construction and permanent loan in the amount of \$7,000,000 to Assignor for construction costs for a low income housing project on property at 14115 Cordary in Hawthorne, California ("**Project**"). The loan is evidenced by a secured promissory note (including any modifications thereof, the "**City Loan Note**").

C. Pursuant to the DDA, _____, as tenant, and Assignee, as landlord, entered into a Ground Lease which provides, among other things, that upon termination of the Ground Lease after an Event of Default thereunder by the tenant, Assignee shall be entitled to enforce the architects and engineers agreement relating to the project, and shall be entitled to ownership and use of plans and specifications for the project.

D. Additionally, the DDA also requires Assignor to assign to Assignee, as security for the City Loan, all of Assignor's right, title and interest in and to all architects and engineers ("**Engineers/Architects**") contracts, plans and specifications for the Project, which include: (i) that certain _____ dated _____, executed by _____ and _____ [which has been assigned by _____ to _____, L.P.][?]; (ii) that certain _____ dated _____, executed by _____ and _____ [which have been assigned by _____ to _____, L.P.][?]; and (iii) all plans and specifications created under or pursuant to such contracts [, which have been assigned by _____ to _____, L.P.][?] (collectively, the "**Contracts**").

NOW THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, the receipt whereof is hereby acknowledged, Assignor hereby assigns, transfers and conveys to Assignee, effective upon the occurrence of a default under the Note, all of Assignor's right, title and interest in and to the Contracts for the purposes of securing payment of the principal and interest evidenced by the Note, proceeds of which have been used by Assignor to pay costs payable by Assignor under the Contracts, **and** for purposes of enforcement, ownership and use upon a termination of the Ground Lease prior to completion of the Project, based on an Event of Default thereunder by the ground tenant.

Assignor's assignment includes the ability to receive, demand and enforce any and all of Assignor's rights, and receive, demand and enforce the obligations of the Engineers/Architects under the Contracts, and use all plans and specifications (or assign the same to a subsequent developer), and to perform any and all acts in the name of Assignor or at the option of Assignee, in the name of Assignee.

Assignor hereby represents and warrants to Assignee that: (i) no previous assignment of Assignor's interest in and to or rights under the Contract has been made; and (ii) Assignor is not in default under the Contracts as of the date hereof.

Assignor agrees not to amend, assign, sell, pledge or otherwise transfer or encumber in any manner Assignor's interest in and to or rights under the Contracts without the prior written consent of Assignee so long as this Assignment remains in effect.

Upon the completion of the Project in accordance with the Ground Lease, and repayment of all principal and interest under the City Loan, this Assignment shall terminate.

If any one or more of the provisions contained in this Assignment shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Assignment, but this Assignment shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Assignment shall be governed by and construed according to the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment as of the date first above written.

CONSENT

The undersigned hereby consents to the assignment described in the Assignment to which this Consent is attached.

The undersigned hereby agrees that upon the Assignee or its assigns giving the undersigned written notice of Assignee's exercise of its rights under the Assignment, the undersigned will recognize and attorn to Assignee (or such assigns) in accordance with the Assignment, and will have no recourse against Assignee for any sums due under the Contract with the undersigned at the time of such notice (but shall have all of its rights and remedies against Assignor for such sums).

The address for notices of the undersigned for such purpose is:

Notices may be sent by certified mail or reputable overnight delivery service.

The undersigned represents that:

- (i) The undersigned has not assigned its interest under its Contract to any other person or entity;
- (ii) The Assignor is not in default under the Contract.

The undersigned agrees that no change, modification or amendment to the Contract from and after the date hereof shall be valid without the prior written consent of Assignee.

Dated as of: _____, 202_

By: _____

Print Name: _____

Title: _____

CONSENT

The undersigned hereby consents to the assignment described in the Assignment to which this Consent is attached.

The undersigned hereby agrees that upon the Assignee or its assigns giving the undersigned written notice of Assignee's exercise of its rights under the Assignment, the undersigned will recognize and attorn to Assignee (or such assigns) in accordance with the Assignment, and will have no recourse against Assignee for any sums due under the Contract with the undersigned at the time of such notice (but shall have all of its rights and remedies against Assignor for such sums).

The address for notices of the undersigned for such purpose is:

Notices may be sent by certified mail or reputable overnight delivery service.

The undersigned represents that:

- (i) The undersigned has not assigned its interest under its Contract to any other person or entity;
- (ii) The Assignor is not in default under the Contract.

The undersigned agrees that no change, modification or amendment to the Contract from and after the date hereof shall be valid without the prior written consent of Assignee.

Dated as of: _____, 202__

By: _____

Print Name: _____

Title: _____

Exhibit F

FORMS OF AFFORDABLE HOUSING COVENANTS AND NOTICE

(Attached.)

DRAFT

RECORDING REQUESTED BY,
AND WHEN RECORDED MAIL TO:

City of Hawthorne
4455 W. 126th St.
Hawthorne, CA 90250
Attention: City Clerk

With a copy to:

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383

REGULATORY AGREEMENT
(Housing Set Aside Funds)

THIS REGULATORY AGREEMENT (HOUSING SET ASIDE FUNDS) is entered into as of _____, 2026, by and between the CITY OF HAWTHORNE, a municipal corporation, successor to the affordable housing rights and obligations of the Hawthorne Community Redevelopment Agency (the “City”), and _____ (the “Developer”).

RECITALS

A. Developer has a leasehold interest in the real property legally described on Exhibit “A” (the “Site”) by virtue of a Ground Lease between City, as landlord, and Developer, as tenant. The Ground Lease requires the Developer to construct a 93 unit multifamily residential rental development on the Site (“Project”).

B. The Site is subject to that certain Disposition, Project and Loan Agreement dated _____, 2026 between City and _____ (the “DDA”) which requires this Regulatory Agreement for the Project.

C. Pursuant to the DDA, the City has agreed to provide financial assistance in the form of a \$7,000,000 loan to Developer, in part from housing set-aside funds (held by City as successor to the housing assets of the former Community Redevelopment Agency), in order to assist with Project of the Project, and in connection therewith, the City has required and the Developer has agreed to restrict 92 of the housing units for rental to extremely low income, very low income and low income households at an affordable rent (the “Affordable Units”) and the additional unit as an on-site manager’s unit.

NOW, THEREFORE, the parties hereto agree as follows:

1. Restrictions. Ninety-two of the Affordable Units shall be rented and made available to Extremely Low Income Households, Very Low Income Households and Low Income Households as set forth in the table below, and at an Affordable Rent as provided and defined in Section 2 hereof. The remaining unit shall be rented to an on-site manager.

AMI	1BR	2BR	TOTAL	AMI Dist
30%	22	7	29	31%
50%	13	4	17	18%
60%	21	4	25	27%
70%	11	4	15	16%
80%	2	4	6	6%
MGR	0	1	1	1%
TOTAL	69	24	93	100%
Unit Size Dist	74%	26%	100%	0%

a. Income Categories. For the purposes of this Regulatory Agreement, the following definitions of income categories shall apply:

i. “Extremely Low Income Households” shall mean those households earning not greater than thirty percent (30%) of the Los Angeles County Area Median Income, adjusted for household size appropriate for the unit.

ii. “Very Low Income Households” shall mean those households earning more than thirty percent (30%) but not more than sixty percent (60%) of the Los Angeles County Area Median Income, adjusted for household size appropriate for the unit.

iii. “Low Income Households” shall mean those households earning more than sixty percent (60%) but not more than eighty percent (80%) of the Los Angeles County Area Median Income, adjusted for household size appropriate for the unit.

b. Household Income Requirements. Following the initial leasing of any the Affordable Units, and annually thereafter, the Developer shall submit to City a summary of the income, household size and rent payable by each of the tenants of the Affordable Units. At the City’s request, the Developer shall also provide to the City completed income computation and certification forms, in a form reasonably acceptable to the City, for any such tenant or tenants. Developer shall obtain, or shall cause to be obtained by the property manager for the Project (the “Property Manager”), a certification from each household leasing an Affordable Unit demonstrating that such household meets the applicable income requirements established for the Affordable Unit. Developer shall verify the income of each proposed and existing tenant of the Affordable Units by at least one of the following methods as appropriate to the proposed or existing tenant:

i. obtain two (2) paycheck stubs from the person’s two (2) most recent pay periods.

ii. obtain a true copy of an income tax return from the person for the most recent tax year in which a return was filed.

iii. obtain an income verification certification from the employer of the person.

iv. obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the person receives assistance from such agencies.

v. obtain an alternate form of income verification reasonably requested by City, if none of the above forms of verification is available to the Developer.

c. Over-Income Tenants. Except in the event of fraud or misrepresentation by the tenant, no tenant shall be denied continued occupancy of a Housing Unit solely because such tenant no longer qualifies because of an increase in household income subsequent to such tenant's initial date of occupancy. Notwithstanding anything else in this Regulatory Agreement, if a tenant's income exceeds the qualifying limits, upon income recertification, the Developer may increase the Monthly Rent payable by such tenant to the lesser of: (a) the fair market rent for such unit, or (b) one-twelfth (1/12) of thirty percent (30%) of such tenant's actual annual income. Upon the vacation of the unit by such tenant, the unit shall be re-rented to a household with an income that qualifies (i.e., the same income level per the table in Section 1 as the former tenant had when it qualified) in order to replace the previously qualifying tenant, as applicable, at the Maximum Monthly Rent as provided in Section 2 hereof, in accordance with the requirements hereof.

2. Affordable Rent. Subject to Section 1(c) above, Affordable Rent shall be charged for all Affordable Units for the Affordability Period (defined in Section 3 below). The Affordable Rent chargeable for the Affordable Units shall be no greater than the rent calculated under the methodology established by California Health and Safety Code Section 50053 and applicable regulations, and shall include a reasonable utility allowance.

For purposes of this Regulatory Agreement, except as may be otherwise required under California Health and Safety Code Section 50053 and applicable regulations (which shall govern the calculation of rent), "Monthly Rent" means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service or cable service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer. In the event that all utility charges are paid by the landlord rather than the tenant, no utility allowance shall be deducted from the rent.

For purposes of determining the maximum Monthly Rent payable under this Regulatory Agreement, in the event that the Project receives an allocation of Federal Low Income Housing Tax Credits, "family of a size appropriate to the unit" means one and one-half persons for a one bedroom unit, three persons for a two-bedroom unit, and four and one-half persons for a three-bedroom unit, because the Tax Credit requirements constitute pertinent federal requirements applicable to the Housing Project as described in Health and Safety Code Section 50053(c). In the event that the Project does not receive an allocation of Federal Low Income Housing Tax Credits, "family of a size appropriate to the unit" means two persons for a one-bedroom unit,

three persons for a two-bedroom unit, and four persons for a three-bedroom unit. Even if Federal Law Income Housing Tax Credits are received, the rents for units under this Agreement will not exceed the applicable maximum rent permitted under California Health and Safety Code Section 50053 based on a “family of a size appropriate to the unit”.

3. Duration of Affordability Requirements. The Project shall be subject to the requirements of this Regulatory Agreement for fifty-five (55) years from the date that the Project is completed and the City issues a final certificate of occupancy therefor. The duration of this requirement shall be known as the “Affordability Period.”

4. Selection of Tenants, Marketing Program. Developer shall be responsible for the selection of tenants for the Affordable Units in compliance with lawful and reasonable criteria, as set forth in this Regulatory Agreement and the Management Plan which is required to be submitted and approved by the City pursuant to the DDA.

5. Occupancy Limits. Occupancy of one bedroom Affordable Units shall be limited to three persons. Occupancy of two bedroom Affordable Units shall be limited to four persons.

6. Maintenance. The Developer shall maintain or cause to be maintained the interior and exterior of the Affordable Units and Project in a decent, safe and sanitary manner, and in accordance with the standard of maintenance of similar market rate and affordable apartment units within Los Angeles County, California. If at any time Developer fails to maintain the Affordable Units and Project in accordance with this Regulatory Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, and waste material (or such longer period as may be reasonably necessary to remedy the condition), or thirty days after written notice from the City with respect to general maintenance, landscaping and building improvements (or such longer period as may be reasonably necessary to remedy the condition), then the City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Site and perform all acts and work necessary to protect, maintain, and preserve the Project, and to attach a lien upon the Site, or to assess the Project, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, which amount shall be promptly paid by Developer to the City upon demand. Notwithstanding anything to the contrary contained elsewhere in this Regulatory Agreement, each lien created hereunder shall at all times be subject and subordinate to the lien of each deed of trust, mortgage and security agreement now or hereafter encumbering all or any part of the Site (or any interest therein) and to all amendments, modifications, extensions and renewals thereof.

7. Capital Reserve Requirements. The Developer shall annually set aside an amount of not less than Three Hundred Dollars (\$300.00) per housing unit, from the gross rents received from the Project, into a separate interest-bearing trust account (the “Capital Replacement Reserve”). Such minimum amount shall be adjusted every five years by the percentage increase in the Los Angeles County median income. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Project fixtures and equipment which are normally capitalized under generally accepted accounting principles. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the

Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Developer shall submit to the City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Project shall include only those items with a useful life in excess of one year, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement; irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement; common area repainting, and uninsured losses due to casualties such as earthquakes.

8. Operating Budget and Reserve. The Developer shall submit to City, on not less than an annual basis, an operating budget for the Project.

9. Social Services. At all times during the Affordability Period, Developer shall provide commercially reasonable activities and programs appropriate to the needs of the residents of the Project, subject to the availability of net cash flow therefor from the project. To the extent that insufficient funds are available from the net cash flow (after payment of all debt service and reserves) of the Project for such activities and programs, the Developer shall use good faith efforts to obtain other sources of funds for social service programs, such as funds of entities affiliated with Developer and public programs which are reasonably available to the Developer. The Developer shall submit for the approval of the City's Executive Director or designee, which approval shall not be unreasonably withheld or delayed, a detailed "Resident Services Plan" which sets forth in detail the services, activities and programs to be provided to residents of the Project. The Developer shall annually submit to the City an updated Resident Services Plan, which shall also be subject to the prior written approval of the City Manager or designee, which approval shall not be unreasonably withheld or delayed.

10. Non- Discrimination Covenants. Developer covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, familial status, disability, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Project, nor shall Developer itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Project. The Developer shall refrain from restricting the rental, sale or lease of the Project on the basis of race, color, creed, religion, sex, marital status, familial status, disability, national origin or ancestry of any person. All deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: "The grantee herein covenants by and for and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group or persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926,

12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land.

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

b. In leases: “The lessee herein covenants by and for himself, his heirs, executors, administrators and assigns, and all persons claiming under or through him, and that this lease is made and accepted upon and subject to the following conditions:

That there shall be no discrimination against or segregation of, any person or group or persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the leasing, subleasing, transferring, use, or enjoyment of the land herein leased nor shall the lessee himself, or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein leased.

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

c. In contracts: “There shall be no discrimination against or segregation of, any person or group or persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the California Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the California Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land, nor shall the transferee himself or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land.

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

The covenants established in this Section II shall, without regard to technical classification and designation, be binding for the benefit and in favor of the City and its successors and assigns, and shall remain in effect in perpetuity.

11. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in Health and Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by or acceptable to the City. Representatives of the City shall be entitled to enter the Project, upon at least forty-eight (48) hours notice, to monitor compliance with this Regulatory Agreement, to inspect the records of the Project, and to conduct an independent audit or inspection of such records. The Developer agrees to cooperate with the City in making the Project available for such inspection or audit. Developer agrees to maintain records in a businesslike manner, and to maintain such records for the term of this Regulatory Agreement.

12. Compliance With Laws. The Developer shall carry out the acquisition, design, Project and operation of the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and Project standards, building, plumbing, mechanical and electrical codes, all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

13. Duty to Prevent Hazardous Material Contamination. During the Project and operation of the Project, the Developer shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Site in violation of applicable laws, conditions of governmental approval and permits (“Governmental Requirements”). Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Developer shall notify the City, and provide to the City a copy or copies, of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Developer shall report to the City, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

For purposes of this Section 14, “Hazardous Materials” means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State

of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a “hazardous material,” “hazardous substance,” or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated byphenyls, (viii) methyl tertiary butyl ether, (ix) listed under Article 9 or defined as “hazardous” or “extremely hazardous” pursuant to Article 11 of Title 22 of the California Code of Regulations, Division 4, Chapter 20, (x) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. §13 17), (xi) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq. (42 U.S.C. §6903) or (xii) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, et seq. Notwithstanding the foregoing, “Hazardous Materials” shall not include such products in quantities as are customarily used in the construction, maintenance, Rehabilitation or management of residential Projects or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential Projects, or substances commonly ingested by a significant population living within the Project, including without limitation alcohol, aspirin, tobacco and saccharine.

14. Successors and Assigns. This Regulatory Agreement shall run with the land, and all of the terms, covenants and conditions of this Regulatory Agreement shall be binding upon the Developer and the City and the permitted successors and assigns of the Developer and the City. Whenever the term “Developer,” or “City” is used in this Regulatory Agreement, such term shall include any other successors and assigns as herein provided.

15. Taxes and Assessments. Developer shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Site, subject to the Developer’s right to contest in good faith any such taxes. The Developer may apply for and receive any exemption from the payment of property taxes or assessments on any interest in or to the Site without the prior approval of the City.

16. Events of Default. An “Event of Default” shall occur under this Regulatory Agreement when there shall be a breach of any provisions in this Regulatory Agreement and such breach shall continue for a period of thirty (30) days after written notice thereof to the defaulting party without the defaulting party curing such breach, or if such breach cannot reasonably be cured within such thirty (30) day period, commencing the cure of such breach within such thirty (30) day period and thereafter diligently proceeding to cure such breach; provided, however, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Regulatory Agreement, the specific provision shall control.

17. Remedies. The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies available at law or equity, including an action for damages, and an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants hereunder or to enjoin acts or things which may be unlawful or in violation of the provisions of this Regulatory Agreement, and acceleration of the payment of the City's loan.

18. Attorneys' Fees. In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing party shall be entitled to recover from the other party its costs of suit, including without limitation expert witness fees and reasonable attorneys' fees.

19. Remedies Cumulative. No right, power, or remedy given to the City by the terms of this Regulatory Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Developer and any other person.

20. Notices. Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Regulatory Agreement must be in writing and may be given either by (i) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (ii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

City: City of Hawthorne
4455 W. 126th St.
Hawthorne, CA 90250
Attention: City Manager

with a required copy to:

City of Hawthorne
4455 W. 126th St.
Hawthorne, CA 90250
Attention: City Attorney

Developer: _____

Such addresses may be changed by notice to the other party given in the same manner as provided above.

21. No Third Party Beneficiaries. This Regulatory Agreement is made and entered into for the sole protection and benefit of the City and its successors and assigns, and Developer

and its successors and assigns, and no other person or persons shall have any right of action hereon.

22. Partial Invalidity. If any provision of this Regulatory Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

23. Governing Law. This Regulatory Agreement and the documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

24. Amendment. This Regulatory Agreement may not be changed orally, but only by agreement in writing signed by Developer and the City.

IN WITNESS WHEREOF, the parties hereto have executed this Regulatory Agreement effective as of the date and year set forth above.

DEVELOPER:

CITY:

CITY OF HAWTHORNE,
a municipal corporation

By: _____
_____, City Manager

ATTEST:

_____, City Clerk

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, _____,
(insert name and title of the officer)

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)

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, _____,
(insert name and title of the officer)

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"

DESCRIPTION OF LAND

The land in the County of Los Angeles, State of California, described as follows:

THE SOUTHERLY 24 FEET OF LOT 308 OF DIVISION "B" AND LOT 309 OF DIVISION "B", EXCEPT THE SOUTHERLY 20 FEET OF SAID LOT 309, BOTH OF TRACT NO. 874, IN THE CITY OF HAWTHORNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 17 PAGES 110](#) AND 111 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SAID DESCRIPTION IS MADE PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT/CERTIFICATE OF COMPLIANCE RECORDED MAY 5, 2010 AS [INSTRUMENT NO. 20100643861 OF OFFICIAL RECORDS](#).

[Assessor's Parcel Number: 4051-030-902](#)

DRAFT

Recording Requested By, and
When Recorded, Mail To:

City of Hawthorne
4455 W. 126th St.
Hawthorne, CA 90250
Attn: City Clerk

Free Recording Requested Pursuant To Government Code Section 27383

-----Space Above This Line for Recorder's Use-----

**NOTICE OF AFFORDABILITY RESTRICTIONS ON
TRANSFER OF PROPERTY**

IMPORTANT NOTICE TO OWNERS, PURCHASERS, TENANTS, LENDERS, BROKERS, ESCROW AND TITLE COMPANIES, AND OTHER PERSONS, REGARDING AFFORDABLE HOUSING RESTRICTIONS ON THE REAL PROPERTY DESCRIBED IN THIS NOTICE: RESTRICTIONS HAVE BEEN RECORDED WITH RESPECT TO THE PROPERTY DESCRIBED BELOW WHICH RESTRICT THE PRICE AND TERMS AT WHICH THE PROPERTY MAY BE SOLD OR RENTED. THESE RESTRICTIONS MAY LIMIT THE SALES PRICE OR RENTS OF THE PROPERTY TO AN AMOUNT WHICH IS LESS THAN FAIR MARKET VALUE. THESE RESTRICTIONS LIMIT THE INCOME OF PERSONS AND HOUSEHOLDS WHO ARE PERMITTED TO PURCHASE AND RENT THE PROPERTY.

This NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY (the "Notice"), is executed by _____ ("Developer"), whose address is _____ and by the City of Hawthorne (the "City") in connection with that certain Regulatory Agreement (Housing Set Aside Funds) dated _____, 2026 between Developer and the City, as successor to the housing assets of the former Hawthorne Community Redevelopment Agency (the "Regulatory Agreement") between Developer and the City.

RECITALS

A. Developer will lease from the City the land described on Exhibit "A" which is certain real property located immediately south of 14115 Cordary Avenue, in the City of Hawthorne, State of California bearing Assessor's Parcel Number 4051-030-902 (the "Land").

B. Developer and Agency are entering into and recording the Regulatory Agreement substantially concurrently herewith.

C. Capitalized terms used herein but not defined shall have the meaning set forth as described in the Regulatory Agreement.

TERMS OF NOTICE

1. Requirement for Recorded Notice. This Notice is being executed and recorded pursuant to California Health and Safety Code Section 33334.3(f)(3)(B).

2. Regulatory Agreement. This Notice is being recorded substantially concurrently with the recordation of the Regulatory Agreement, which is incorporated herein by reference.

3. Recitation of Affordability Restrictions. The Regulatory Agreement restricts the occupancy of 93 multifamily dwelling units on the Land to occupancy by Extremely Low Income Households, Very Low Income Households and Low Income Households (with an income not exceeding 80% of the Los Angeles County AMI) at an Affordable Rent (as defined in the Regulatory Agreement) for a term commencing on the completion of the project (as evidenced by a final Certificate of Occupancy) and ending fifty-five (55) years thereafter.

IN WITNESS WHEREOF, this Notice has been executed and made effective on the day and year first above written.

By: _____
Print Name: _____
Title: _____

CITY OF HAWTHORNE

By: _____
_____, City
Manager

Attest:

_____, City Clerk

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, and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) 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 of Notary Public

Place Notary Seal Above

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, and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) 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 of Notary Public

Place Notary Seal Above

EXHIBIT "A"

Legal Description of the Land

The land in the County of Los Angeles, State of California, described as follows:

THE SOUTHERLY 24 FEET OF LOT 308 OF DIVISION "B" AND LOT 309 OF DIVISION "B", EXCEPT THE SOUTHERLY 20 FEET OF SAID LOT 309, BOTH OF TRACT NO. 874, IN THE CITY OF HAWTHORNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 17 PAGES 110 AND 111 OF MAPS](#), IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SAID DESCRIPTION IS MADE PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT/CERTIFICATE OF COMPLIANCE RECORDED MAY 5, 2010 AS [INSTRUMENT NO. 20100643861 OF OFFICIAL RECORDS](#).

[Assessor's Parcel Number: 4051-030-902](#)

Exhibit G

FORM OF GROUND LEASE

(Attached.)

DRAFT

GROUND LEASE

by and between

CITY OF HAWTHORNE

and

THIS GROUND LEASE (this “**Lease**” or this “**Agreement**”), dated as of _____, 202__ [CLOSING DATE UNDER DDA] (the “**Effective Date**”), is entered into by and between the CITY OF HAWTHORNE, a municipal corporation (hereafter “**Landlord**”) and _____, a California [limited partnership] (hereafter “**Tenant**”). Landlord and Tenant are hereafter collectively referred to as the “**Parties.**”

RECITALS

- A. Landlord is the owner of the land described on Exhibit “A” ((the “**Property**”).
- B. Landlord and Tenant entered into that certain Disposition, Development and Loan Agreement dated _____, 2026 (hereafter, the “**DDA**”) which provides for the ground lease of the Property by Landlord to Tenant for the development of the project described in Recital C, below. Capitalized terms used but not defined herein shall have the meaning set forth in the DDA.
- C. Tenant has agreed to construct a 93-unit multifamily rental housing development on the Property consisting of 92 apartments that will be affordable to extremely low-income, very low income and low households at affordable rent, and one manager’s unit, and other amenities, and improvements required pursuant to the City’s governmental conditions of approval for entitlements and/or permits (the “**Project**”).
- D. Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord the Property, upon and subject to the terms and conditions hereinafter set forth.
- E. The DDA contemplates that this Lease shall be executed and delivered, and a Memorandum of Lease, a deed of trust in favor of Landlord, and an Affordable Housing Covenant, executed, acknowledged and recorded, at the Closing under the DDA.

NOW, THEREFORE, for and in consideration of the covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows.

ARTICLE I

DEFINITIONS

1. Definitions. The following terms shall have the meanings set forth in the Sections referenced below whenever used in this Agreement and the Exhibits attached hereto. Additional terms are defined in the Recitals and text of this Agreement.

“**Applicable Laws**” is defined in Section 6.3.

“**City**” means the City of Hawthorne, a municipal corporation, in its regulatory capacity as opposed to its proprietary interest in the Property as Landlord hereunder.

“**City Council**” means the City Council of the City of Hawthorne

“**Claims**” is defined in Article X.

“**Conditions of Approval**” is defined in Section 6.12.

“**Construction Plans**” is defined in Section 6.14.

“**Environmental Laws**” is defined in Section 7.9.4.2.

“**Hazardous Material**” is defined in Section 7.9.4.1.

“**Improvements**” means all buildings, structures, fixtures, fences, walls, paving, parking improvements, driveways, walkways, plazas, landscaping, permanently affixed utility systems and equipment, and other improvements located on the Property, including, without limitation, the Project and all replacements of the foregoing.

“**Indemnitees**” is defined in Article X.

“**Lease Termination**” is defined in Section 8.2.1.

“**Leasehold Mortgage**” means a deed of trust on the leasehold estate created by this Lease and held by a Leasehold Mortgagee.

“**Leasehold Mortgagee**” means the mortgagee or beneficiary of any Leasehold Mortgage and in the event of a transfer of such Leasehold Mortgage, the successor Leasehold Mortgagee, upon delivery of written notice of the transfer to Landlord.

“**Official Records**” means the Official Records of Los Angeles County, California.

“**Prevailing Wage Laws**” is defined in Section 6.3.

“**Project**” means the residential rental project and related improvements as described in Recital D, as they may be modified with the consent of Landlord, subject to compliance with applicable law.

“**Property**” is defined in Recital B

“**Term**” is defined in Section 3.1.

“**Transfer**” is defined in Section 16.1.

ARTICLE II

DEMISE OF PREMISES

2.1 Demise. Upon the Effective Date (which is the date of this Lease, and the date of the Closing under the DDA), Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Property for the Term and on the terms and conditions set forth in this Lease.

2.2 Condition of Title. Landlord leases the Property to Tenant subject to all easements, covenants, conditions, restrictions and other title matters of record existing as of the Effective Date, and all matters that would be apparent from an inspection of the Property on the Effective Date.

2.3 Condition of Property. Tenant specifically acknowledges that the Landlord is leasing the Property to Tenant on an "AS IS", "WHERE IS" and "WITH ALL FAULTS" basis and that Tenant is not relying on any representations or warranties of any kind whatsoever, express or implied, from Landlord, its employees, board members, agents, or brokers as to any matters concerning the Property. The Landlord makes no representations or warranties as to any matters concerning the Property, including without limitation: (i) matters relating to soils, subsoils, geology, the presence or absence of fill, groundwater, drainage, and flood zone designation, (ii) the existence, quality, nature, adequacy and physical condition of utilities serving the Property, (iii) the development potential of the Property, and the Property's use, habitability, merchantability, or fitness, suitability, value or adequacy of the Property for any particular purpose, (iv) the zoning or other legal status of the Property or any other public or private restrictions on use of the Property, (v) the compliance of the Property with Environmental Laws, covenants, conditions and restrictions of any governmental or quasi-governmental entity or of any other person or entity, (vi) the presence or removal of Hazardous Material, substances or wastes on, under or about the Property or the adjoining or neighboring property; and (vii) the condition of title to the Property.

2.4 Tenant to Rely on Own Experts. Tenant acknowledges that notwithstanding the delivery by Landlord to Tenant of any materials, including, without limitation, third party reports, Tenant will rely entirely on Tenant's own experts and consultants and its own independent investigation and judgment as to all matters relating to the Property.

2.5 Environmental Disclosure. To the extent the Landlord has copies of reports regarding the environmental condition of the Property, it has provided copies to Tenant of those reports known to exist; but the Parties acknowledge that Landlord will not be conducting a public records search of any regulatory agency files—although the Landlord urges Tenant to do so to satisfy itself regarding the environmental condition of the Property. By execution of this Agreement, Tenant: (i) acknowledges its receipt of the foregoing notice respecting the environmental condition of the Property; (ii) acknowledges that it has had an opportunity to conduct its own independent review and investigation of the Property; (iii) agrees to rely solely on its own experts in assessing the environmental condition of the Property and its sufficiency for its intended use; and (iv) waives any and all rights Tenant may have to assert that the Landlord failed to disclose information about the environmental condition of the Property.

2.6 Release by Tenant. Effective upon the Effective Date, Tenant WAIVES, RELEASES, REMISES, ACQUITS AND FOREVER DISCHARGES the Indemnitees and any person acting on behalf of the Landlord, from any and all Claims, direct or indirect, known or unknown, foreseen or unforeseen, which Tenant now has or which may arise in the future on account of or in any way arising out of or in connection with the physical condition of the Property, the presence of Hazardous Material in, on, under or about the Property, or any law or regulation applicable thereto including, without limiting the generality of the foregoing, all

Environmental Laws. The provisions of this Section 2.6 shall survive the expiration or earlier termination of this Agreement.

TENANT ACKNOWLEDGES THAT TENANT IS FAMILIAR WITH SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

BY INITIALING BELOW, TENANT EXPRESSLY WAIVES THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE WITH RESPECT TO THE FOREGOING RELEASE:

Tenant's initials: _____

ARTICLE III

TERM OF LEASE

3.1 Term. The term of this Lease (the "**Term**") shall commence on the date hereof (i.e., the Effective Date), and it is intended that the Memorandum of Lease be recorded on such date ("**Commencement Date**"). Unless sooner terminated under the provisions hereof, the Term of this Lease shall expire fifty-five (55) years after the completion of the Project (as evidenced by a final Certificate of Occupancy) (the "**Expiration Date**"). The expiration or sooner termination of the Term shall be referred to as "**Lease Termination**."

3.2 Lease Year. For purposes of this Lease, "**Lease Year**" shall mean each calendar year, or partial calendar year during the Term. If the Commencement Date does not occur on January 1, then any amounts required to be paid under this Lease on a Lease Year basis shall be prorated on a per diem basis for the partial Lease Years that commence with the Commencement Date and end on the Expiration Date.

ARTICLE IV

RENT

4.1 Base Rent During Initial Operating Period. Commencing on the Rent Commencement Date and continuing through the end of the Initial Operating Period (as defined below), Tenant shall pay to Landlord annual base rent in the amount of \$10,000.00 ("Initial Base Rent"), payable annually in arrears on each anniversary of the Rent Commencement Date, with the first such payment due on the first anniversary of the Rent Commencement Date. If this Lease terminates on a date other than the anniversary of the Rent Commencement Date, Base

Rent for the partial Lease Year shall be prorated on a per diem basis through the effective date of termination and shall be payable within thirty (30) days after such date. The Initial Base Rent reflects Landlord's public-purpose objectives, including the provision of affordable housing, and is intentionally below fair market rent.

For purposes of this Lease, the "Initial Operating Period" shall mean the period beginning on the Rent Commencement Date and ending on the earlier of: (a) the date that the Project has achieved Stabilization (as defined in the Loan Documents); or (b) the fifteenth (15th) anniversary of the Rent Commencement Date, unless extended by Landlord in writing.

4.2 Performance Review and Rent Adjustment Eligibility. Upon the expiration of the Initial Operating Period, Landlord shall have the right, but not the obligation, to adjust Base Rent based on the performance of the Project. In determining whether and to what extent an adjustment is appropriate, Landlord may consider, in its sole and reasonable discretion, one or more of the following factors:

(a) the Project's financial performance, including cash flow, debt service coverage, and availability of Surplus Cash;

(b) Tenant's compliance with this Lease, the Loan Documents, and the Affordable Housing Covenant;

(c) the physical condition, maintenance, and long-term capital needs of the Project;

(d) Tenant's satisfaction of reporting, audit, and payment obligations to Landlord; and

(e) the continued need for rent subsidy to preserve affordability.

4.3 Step-Up to Fair Market Rent. If Landlord determines that the Project has performed satisfactorily and that an increase in rent will not impair the ongoing affordability or physical viability of the Project, Landlord may increase Base Rent to Fair Market Rent, as determined pursuant to Section 4.4 below, or to such intermediate rent level as Landlord determines appropriate. Any increase in Base Rent pursuant to this Section shall be effective only upon written notice from Landlord to Tenant and shall not be retroactive.

4.4 Determination of Fair Market Rent. "Fair Market Rent" shall mean the rent that would be payable for the Land under a ground lease for comparable affordable housing projects in the region, taking into account applicable use restrictions, affordability covenants, and leasehold financing conditions, as determined by Landlord in good faith. Landlord may, but shall not be required to, rely on an independent appraisal or market study in making such determination.

4.5 Ongoing Adjustments. Following any adjustment to Fair Market Rent, Landlord may periodically review Base Rent at intervals not more frequent than once every five (5) years and may further adjust rent based on Project performance, continued compliance, and market conditions, provided that Landlord shall not be required to reduce rent once increased.

4.6 No Waiver of Landlord Remedies. The existence of below-market rent during any period shall not limit Landlord's rights or remedies under this Lease or any Loan Document, nor shall Tenant be entitled to continued reduced rent absent Landlord's written agreement.

4.7 Payment of Rent. The Base Rent and Additional Rent shall be collectively referred to as "**Rent**" under this Lease. All Rent shall be paid to Landlord in lawful money of the United States at the place to which notices are to be delivered to Landlord, unless Landlord designates a different address for the payment of Rent in writing to Tenant. Rent shall be payable on each anniversary of the Effective Date during the term hereof.

ARTICLE V

TAXES, ASSESSMENTS AND OTHER CHARGES

5.1 Impositions. Tenant covenants and agrees to pay prior to delinquency, all real property taxes, **possessory interest taxes (property tax on Tenant's leasehold interest hereunder)**, license and permit fees, sales, use or occupancy taxes, assessments whether general or special, ordinary or extraordinary, unforeseen, as well as foreseen, of any kind or nature whatsoever, pertaining to this Lease, the Property or the Improvements or part thereof, including, but not limited to (i) any assessment, levy, imposition or charge, in lieu of or substitution for real estate taxes, and (ii) any assessment for public improvements or benefits which is assessed, levied, or imposed upon or which becomes due and payable and a lien upon (a) the Property or the Improvements or any part thereof or any personal property, equipment or other facility used in the operation thereof, (b) the rent or income received by Tenant from subtenants or licensees, (c) any use or occupancy of the Property or Improvements or part thereof, or (d) this transaction or, subject to the exclusions specified below, any document to which Tenant is a party creating or transferring an estate or interest in the Property or part thereof. All of the foregoing are hereinafter referred to as "**Impositions.**"

5.1.1 Exclusions. Impositions specifically shall exclude (i) any income, franchise, gross receipts, estate, inheritance, transfer or gift tax imposed on Landlord, and (ii) any transfer tax imposed on any document to which Landlord is a party creating or transferring an estate or interest in the Property.

5.1.2 Installments. If, by law, any Imposition is payable, or may at the option of the taxpayer be paid, in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Tenant may pay the same together with any accrued interest on the unpaid balance of such Imposition in installments as the same respectively become due and before any fine or penalty may be added thereto for the nonpayment of any such installment and interest. Any Impositions relating to tax years that are only partially included in the Term shall be prorated between Tenant and Landlord.

5.1.3 Evidence of Payment. Upon request by Landlord, Tenant shall furnish, in form satisfactory to Landlord, evidence of payment prior to delinquency of all Impositions payable by Tenant.

5.2 Tenant Right to Contest. Tenant shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition by appropriate legal proceedings, but such right shall not be deemed or construed in any way as relieving, modifying or extending Tenant's covenant to pay any such Imposition at the time and in the manner required by law. Any such contest shall be conducted in accordance with and subject to the requirements of Applicable Laws and otherwise in a manner that does not subject Landlord's title to the Property to foreclosure or forfeiture. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against all claims, damages, losses, liabilities, costs and expenses (including without limitation attorneys' fees) incurred by Landlord as a result of any such contest brought by Tenant. During any contest of an Imposition, Tenant shall (by payment of disputed sums, if necessary) prevent any advertisement of tax sale, foreclosure of, or any divesting of Landlord's title, reversion or other interest in the Property or the Improvements.

5.3 Tenant Duty to File. Tenant shall have the duty of making or filing any exemption application, declaration, statement or report which may be necessary or advisable in connection with property tax exemption or the determination, equalization, reduction or payment of any Imposition which is or which may become payable by Tenant under the provisions of this Article V, and Landlord shall not be responsible for the contents of any such declaration, statement or report.

5.4 Utilities. Tenant agrees to pay, or cause to be paid, all charges which are incurred by Tenant or which are otherwise a charge or lien against the Property or part thereof during the Term, for gas, water, electricity, light, heat or power, telephone or other communication service use, or other utility use, rendered or supplied upon or in connection with the Property. Tenant shall also obtain, or cause to be obtained, without cost to Landlord, any and all necessary permits, licenses or other authorizations required for the lawful and proper installation and maintenance upon the Property of wires, pipes, conduits and other equipment for the supply of utilities to the Project. In no event shall Landlord have any liability to Tenant, and Tenant hereby releases Landlord, from any and all claims, including but not limited to consequential damages, lost profits and similar damages that Tenant may incur as a result of any interruption, curtailment or diminishment of such utilities, other than for the active negligence or willful misconduct of Landlord. Notwithstanding the foregoing, Tenant shall have the right to challenge the amount or validity of the foregoing charges, provided that doing so does not result in the Property being subjected to any lien or other encumbrance that is not itself adequately released, insured over or otherwise satisfied by Tenant after Tenant has exhausted its efforts to contest the same in accordance with all Applicable Laws.

ARTICLE VI

DEVELOPMENT OF THE PROPERTY

6.1 Construction of Improvements; Description of Project. Tenant agrees to construct on the Property a 93-unit multi-family residential rental project, together with related improvements in accordance with the plans and specifications, entitlements and permits and approvals issued or approved by the City, including all governmental conditions of approval.

The project must include [ADD TO/EDIT?] fifty (50) parking spaces, a central courtyard and play area, a community room, on site residential services [TOO VAGUE---WHAT IS INTENDED?], an on-site property manager, a laundry room, and secured bicycle parking,

6.2 Construction Schedule/Deadlines. Subject to force majeure delays (meaning delays beyond the control of Tenant that delay the applicable construction, excluding defaults on financing, and insufficiency of funds), Tenant shall materially commence construction of the Project within thirty (30) days following the Effective Date, shall meet an interim deadline for the completion of foundations by _____ months following the commencement of construction, and shall diligently prosecute to completion the construction of the Project sufficient to allow City to issue a final certificate of occupancy within thirty (30) months following commencement of construction, subject to any such force majeure delays. Tenant's failure to commence or complete the Project in accordance with the time periods specified in this Section 6.2 shall be an Event of Default hereunder.

6.3 Construction Standards. Tenant shall carry out and shall cause its contractors to carry out the construction of the Project and all subsequent improvements, alterations and replacements, in a high quality and workmanlike fashion in accordance with the City's governmental conditions of approval and the construction plans approved by Landlord and City, and the permits issued by City, and in compliance with all applicable state, federal, and local laws, rules, ordinances, codes, and regulations, **including without limitation California Labor Code Section 1720 et seq. and the regulations adopted pursuant thereto ("Prevailing Wage Laws")**, and all other applicable federal and state labor laws and standards, applicable provisions of the California Public Contracts Code (if any), the City zoning and development standards, building, plumbing, mechanical and electrical codes, all other provisions of the City's Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation, the Americans with Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq. (all of the foregoing, collectively "**Applicable Laws**").

6.4 Prevailing Wages. Developer shall comply and shall cause its contractors, subcontractors and agents to comply with California Labor Code Section 1720 et seq. and the regulations adopted pursuant thereto, and if required by applicable law, the federal Davis Bacon Act and implementing regulations (all of the foregoing, collectively, "**Prevailing Wage Laws**"), and shall be responsible for carrying out the requirements of such provisions.

Without limiting the generality of the preceding paragraph, to the extent required by applicable law, Developer shall:

(i) pay, and shall cause all consultants and contractors to pay, prevailing wages in the construction of the Improvements as those wages are determined pursuant to California Labor Code Section 1720 et seq.;

(ii) cause all consultants and contractors to employ apprentices as required by California Labor Code Section 1777.5 et seq., and the implementing regulations of the Department of Industrial Relations ("**DIR**"), and to comply with the other applicable provisions of Prevailing Wage Laws;

(iii) keep and retain, and shall cause all consultants and contractors to keep and retain, such records as are necessary to determine if such prevailing wages have been paid as required pursuant to California Labor Code Section 1720 et seq., and apprentices have been employed as required by California Labor Code Section 1777.5 et seq.;

(iv) post at the Property, or cause the contractor to post at the Property, the applicable prevailing rates of per diem wages. Copies of the currently applicable current per diem prevailing wages are available from DIR;

(v) cause contractors and subcontractors constructing the Improvements to be registered as set forth in California Labor Code Section 1725.5;

(vi) cause its contractors and subcontractors, in all calls for bids, bidding materials and the construction contract documents for the construction of the Improvements to specify that:

(a) no contractor or subcontractor may be listed on a bid proposal nor be awarded a contract for the construction of the Improvements unless registered with the DIR pursuant to California Labor Code Section 1725.5; and

(b) the construction of the Improvements is subject to compliance monitoring and enforcement by the DIR.

(vii) provide the City all information required by California Labor Code Section 1773.3 as set forth in the DIR's online form PWC-100 within 2 days of the award of any contract (<https://www.dir.ca.gov/pwc100ext/>);

(viii) cause its contractors to post job site notices, as prescribed by regulation by the DIR; and

(ix) cause its contractors to furnish payroll records required by California Labor Code Section 1776 directly to the Labor Commissioner, at least monthly in the electronic format prescribed by the Labor Commissioner.

Developer shall indemnify, defend (with counsel approved by City) and hold harmless the Indemnitees from and against all Claims arising directly or indirectly, in whole or in part, from the failure or alleged failure by Developer, or any other person, including without limitation, Developer's contractor and subcontractors to comply with all applicable provisions of Prevailing Wage Laws in connection with construction of the Project, including without limitation, all Claims that may be made by contractors, subcontractors or other third party claimants pursuant to Labor Code Sections 1726 and 1781, all Claims relating to any failure to pay prevailing wages, employ apprentices, or comply with all applicable State or federal labor laws, regulations or standards in connection with this Agreement, including but not limited to the Prevailing Wage Laws. The provisions of this Section shall survive the expiration or earlier termination of this Agreement and the issuance of a Certificate of Completion and final Certificate of Occupancy for the Project.

6.5 Easements; Reciprocal Easement/Joint Use Agreement. From time to time at Tenant's request, Landlord shall, in its capacity as fee title owner to the Property, join in the

grant of reasonable easements to public or private utility companies for utility service reasonably required to and for the benefit of the Project. Landlord agrees to join in granting or dedicating such public or private utility or other easements as may be reasonably required for the development, maintenance, use, operation or enjoyment of the Property in accordance with this Lease.

6.6 Protection of Landlord. Nothing in this Lease shall be construed as constituting the consent of the Landlord, express or implied, to the performance of any labor or services, or the furnishing of any materials or any specific improvements, alterations of or repairs to the Property or any part thereof, by any contractor, subcontractor, laborer or materialman such as to give rise to any right of any such contractor, subcontractor, laborer or materialman to file a mechanic's lien or other claim against the fee title to the Property. Landlord shall have the right at all reasonable times to post, and keep posted, on the Property any notices which Landlord may deem necessary for the protection of Landlord and the Property from mechanic's liens or other claims. Tenant shall give Landlord ten (10) days' prior written notice of the commencement of any work to be done on the Property to enable Landlord to post such notices. In addition, Tenant shall make, or cause to be made, timely payment of all monies due and legally owing to all persons doing any work or furnishing any materials or supplies to Tenant or any of its contractors or subcontractors in connection with the Property (subject to Tenant's right to contest the same in accordance with all Applicable Laws).

6.7 Mechanic's Liens and Stop Notices. Tenant shall not allow to be placed on the Property or any part thereof any lien or stop notice on account of materials supplied to or labor performed on behalf of Tenant. If a claim of a lien or stop notice is given or recorded affecting the Project or the Property, Tenant shall within twenty (20) days of such recording or service: (a) pay and discharge (or cause to be paid and discharged) the same; or (b) effect the release thereof by recording and delivering (or causing to be recorded and delivered) to the party entitled thereto a surety bond in sufficient form and amount; or (c) provide other assurance satisfactory to Landlord that the claim of lien or stop notice will be paid or discharged. Tenant shall indemnify, defend and hold Landlord harmless from and against liability, loss, damages, costs and expenses (including reasonable attorneys' fees) incurred by or brought against Landlord for claims of lien of laborers or materialmen or others for work performed or materials or supplies furnished to Tenant or persons claiming under it.

6.8 Right of Landlord to Satisfy Liens on the Property. If Tenant fails to satisfy or discharge any lien or stop notice on the Property pursuant to and within the time period set forth in Section 6.7 above, upon not less than ten (10) days' prior written notice to Tenant, the Landlord shall have the right, but not the obligation, to satisfy any such liens or stop notices at Tenant's expense and without further notice to Tenant, and all sums advanced by Landlord for such purpose shall be payable to Landlord as Additional Rent. In such event Tenant shall be liable for and shall immediately reimburse Landlord for such paid lien or stop notice. Alternatively, the Landlord may require Tenant to immediately deposit with Landlord the amount necessary to satisfy such lien or claim pending resolution thereof. The Landlord may use such deposit to satisfy any claim or lien that is adversely determined against Tenant. Tenant shall file a valid notice of cessation or notice of completion upon cessation of construction work on the Property for a continuous period of thirty (30) days or more, and shall take all other reasonable steps to forestall the assertion of claims or liens against the Property. The Landlord

may (but has no obligation to) record any notices of completion or cessation of labor, or any other notice that the Landlord deems necessary or desirable to protect its interest in the Property.

6.9 Use of Plans. The contracts relating to design and construction of the Improvements executed by and between Tenant (or an affiliate of Tenant) and any architect, other design professional or any general contractor shall provide in the contracts, or in a consent to assignment, in form and substance reasonably satisfactory to Landlord, for the assignment thereof to Landlord as security to Landlord for Tenant's performance hereunder, and Landlord shall be furnished with any such contract, and Tenant hereby conditionally assigns such contracts and plans and for the Project to Landlord and in connection therewith, agrees that if this Lease is terminated due to Tenant's default, Landlord may, at its election, use any plans and specifications to which Tenant is then entitled pursuant to any such contract upon the payment of any sums due to any party thereto, subject to any prior rights of the Project construction lender.

6.10 Cost of Construction. Tenant shall be solely responsible for all direct and indirect costs and expenses incurred in connection with the development of the Property and the construction of the Improvements. Except as expressly set forth herein, all costs of designing, developing and constructing the Improvements and the Project and compliance with the Project approvals, including without limitation all off-site and on-site improvements required by City in connection therewith, shall be borne solely by Tenant and shall not be an obligation of the Landlord. If any Applicable Laws are hereafter changed so as to require during the Term any alteration of the Improvements, or the reinforcement or any other physical modification of the Improvements, Tenant shall be solely responsible for such cost and expense.

6.11 Project Approvals. Tenant acknowledges and agrees that execution of this Agreement by Landlord does not constitute approval for the purpose of the issuance of building permits for the Project, does not limit in any manner the discretion of City in such approval process, and does not relieve Tenant from the obligation to apply for and obtain all necessary entitlements, approvals, and permits for the development of the Property, including without limitation, the approval of architectural plans, the issuance of any certificates regarding historic resources required in connection with the Project (if any), and the completion of any required environmental review. Tenant covenants that it shall obtain all necessary permits and approvals which may be required by City, or any other governmental agency having jurisdiction over the Property, and shall not commence construction work on the Project prior to issuance of building permits required for such work. Landlord staff shall work cooperatively with Tenant to assist in coordinating the expeditious processing and consideration of all permits, entitlements and approvals necessary for development of the Project on the Property.

6.12 Conditions of Approval. Tenant shall develop the Property in accordance with the terms and conditions of this Agreement and in compliance with the terms and conditions of all approvals, entitlements and permits issued by City or any other governmental body or agency with jurisdiction over the Project or the Property whether already granted or issued as of the date hereof or as may hereafter be granted or issued in connection with development of the Project, including without limitation, all mitigation measures imposed in connection with environmental review of the Project and all conditions of approval imposed in connection with any entitlements, approvals or permits (all of the foregoing approvals, entitlements, permits, mitigation measures

and conditions of approval are hereafter collectively referred to as the “**Conditions of Approval**”).

6.13 Fees and Permits. Tenant shall have the sole responsibility for obtaining all necessary governmental permits and approvals for the construction of the Improvements, at Tenant’s sole cost and expense. Landlord shall cooperate with Tenant in connection with obtaining any such governmental permits and approvals. Tenant shall be solely responsible for, and shall promptly pay when due, all customary and usual fees and charges of City and all other agencies with jurisdiction over development of the Property in connection with obtaining building permits and other approvals for the Project, including without limitation, those related to the processing and consideration of amendments, if any, to the current entitlements, any related approvals and permits, environmental review, architectural review, historic review, and any subsequent approvals for the Project.

6.14 Construction Plans. Tenant has submitted, and as of the Effective Date, City’s Building Department has approved, detailed construction plans for the Project (the “**Construction Plans**”). As used herein “**Construction Plans**” means all construction documents upon which Tenant and Tenant’s contractors shall rely in developing the Project (including the landscaping, parking, and common areas) and shall include, without limitation, the site development plan, final architectural drawings, landscaping, exterior lighting and signage plans and specifications, materials specifications, final elevations, and building plans and specifications. The Construction Plans may not be altered without the express written consent of Landlord.

6.15 Construction Pursuant to Plans. Tenant shall develop the Project in accordance with the approved Construction Plans, the Conditions of Approval, and all other permits and approvals granted by the City pertaining to the Project. Tenant shall comply with all directions, rules and regulations of any fire marshal, health officer, building inspector or other officer of every governmental agency having jurisdiction over the Property or the Project. Each element of the work shall proceed only after procurement of each permit, license or other authorization that may be required for such element by any governmental agency having jurisdiction. All design and construction work on the Project shall be performed by licensed contractors, engineers or architects, as applicable.

6.16 Change in Construction Plans. If Tenant desires to make any change in the approved Construction Plans, Tenant shall submit the proposed change in writing to the Landlord for its written approval. Unless Landlord notifies Tenant in writing that a proposed change is rejected or that Landlord requests a modification to such proposed change within twenty (20) days, it shall be deemed disapproved. If rejected, the previously approved Construction Plans shall continue to remain in full force and effect. However, any change in the Construction Plans required in order to comply with applicable codes shall be deemed approved, so long as such change does not substantially nor materially change the architecture, design, function, use, or amenities of the Project as shown on the latest approved Construction Plans. Nothing in this Section is intended to or shall be deemed to modify the City’s standard plan review procedures.

6.17 Rights of Access. For the purpose of ensuring that the construction of the Project is completed in compliance with this Agreement, Tenant shall permit representatives of the

Landlord and the City to enter upon the Property following 24 hours written notice (except in the case of emergency in which case such notice as may be practical under the circumstances shall be provided).

6.18 Landlord Disclaimer. Tenant acknowledges that the Landlord is under no obligation, and Landlord does not undertake or assume any responsibility or duty to Tenant or to any third party, to in any manner review, supervise, or inspect the progress of construction or the operation of the Project. Tenant and all third parties shall rely entirely upon its or their own supervision and inspection in determining the quality and suitability of the materials and work, the performance of architects, subcontractors, and material suppliers, and all other matters relating to the construction and operation of the Project. Any review or inspection undertaken by the Landlord is solely for the purpose of determining whether Tenant is properly discharging its obligations under this Agreement, and shall not be relied upon by Tenant or any third party as a warranty or representation by the Landlord as to the quality of the design or construction of the improvements or otherwise.

6.19 Defects in Plans. Landlord shall not be responsible to Tenant or to any third party for any defect in the Construction Plans or for any structural or other defect in any work done pursuant to the Construction Plans. Tenant shall indemnify, defend (with counsel approved by Landlord) and hold harmless the Indemnitees from and against all Claims arising out of, or relating to, or alleged to arise from or relate to defects in the Construction Plans or defects in any work done pursuant to the Construction Plans whether or not any insurance policies shall have been determined to be applicable to any such Claims. Tenant's indemnification obligations set forth in this Section shall survive the expiration or earlier termination of this Agreement. It is further agreed that Landlord does not, and shall not, waive any rights against Tenant which they may have by reason of this indemnity and hold harmless agreement because of the acceptance by Landlord, or Tenant's deposit with Landlord of any of the insurance policies described in this Agreement. Tenant's indemnification obligations pursuant to this Section shall not extend to Claims arising due to the gross negligence or willful misconduct of the Indemnitees.

6.20 Equal Opportunity. There shall be no discrimination on the basis of race, color, religion, creed, sex, sexual orientation, gender identity, marital status, ancestry, national origin, age or disability in the hiring, firing, promoting or demoting of any person engaged in construction work on the Property, and Tenant shall direct its contractors and subcontractors to refrain from discrimination on such basis.

6.21 Insurance Requirements. Tenant shall maintain and shall cause its contractors to maintain all applicable insurance coverage specified in Article IX.

ARTICLE VII

USE OF THE PROPERTY

7.1 Permitted Uses. Tenant may use the Property for the construction and operation of the Project and for no other purpose without the prior written consent of Landlord. Tenant shall not do or permit any activity on or about the Property that constitutes a public or private nuisance. At Tenant's sole expense, Tenant shall procure and maintain all governmental

licenses or permits required for the proper and lawful conduct of Tenant's activities conducted on the Property.

7.2 Affordable Housing Covenant. Tenant shall comply with the Affordable Housing Covenant with the City of Hawthorne, which is recorded against the Property [SHOULD BE RECORDED RIGHT AFTER THE MEMO OF LEASE, PRESUMABLY, AND NOT SUBORDINATE TO ANY DEEDS OF TRUST, CORRECT?]

7.3 No Condominium Conversion. Tenant shall not convert the Project to condominium or cooperative ownership or sell condominium or cooperative conversion rights to the Project during the Term of this Lease.

7.4 Management and Operation of the Project; Compliance with Laws. Tenant agrees to operate, maintain and manage the Property in high quality manner, subject to incidental wear and tear. Tenant, at its sole cost and expense, shall comply with all Applicable Laws pertaining to the use, operation, occupancy and management of the Property. Tenant shall not itself, and shall not permit any subtenant to use the Property or the Improvements for any unlawful purpose and shall not itself, and shall not permit any subtenant to, perform, permit or suffer any act of omission or commission upon or about the Property or the Improvements which would result in a nuisance or a violation of Applicable Law. Landlord shall have the right to review and approve the qualifications of any management entity proposed by Tenant for the Project. Landlord hereby approves _____ as the initial management entity for the Project. Any contracting of management services by Tenant shall not relieve Tenant of its primary responsibility for proper performance of management duties.

7.5 Tenant Right to Contest. Tenant shall have the right to contest by appropriate proceedings, in the name of Tenant, and without cost or expense to Landlord, the validity or application of any Applicable Law. If compliance with any Applicable Law may legally be delayed pending the prosecution of any such proceeding without the incurrence of any lien, charge or liability against the Property or Tenant's interest therein, and without subjecting Tenant or Landlord to any liability, civil or criminal, for failure so to comply therewith, Tenant may delay compliance therewith until the final determination of such proceeding. Tenant shall indemnify, defend, protect and hold Landlord harmless from and against all claims, damages, losses, liabilities, costs and expenses (including without limitation reasonable attorneys' fees) incurred by Landlord as a result of any such contest brought by Tenant.

7.6 Hazardous Materials.

7.6.1 Obligations of Tenant. Tenant hereby covenants and agrees that:

(1) Tenant shall not cause or permit the Property or any portion thereof to be a site for the use, generation, treatment, manufacture, storage, disposal or transportation of Hazardous Material or otherwise knowingly permit the presence or release of Hazardous Material in, on, under, about or from the Property or the Project with the exception of limited amounts of cleaning supplies and other materials customarily used in construction, use or maintenance of residential/mixed-use properties similar in nature to the Project and used, stored and disposed of in compliance with Environmental Laws.

(2) Tenant shall keep and maintain the Property and each portion thereof in compliance with, and shall not cause or permit the Project or the Property or any portion of either to be in violation of, any Environmental Laws.

(3) Upon receiving actual knowledge of the same, Tenant shall immediately advise Landlord in writing of: (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Tenant, or the Property pursuant to any applicable Laws; (ii) any and all claims made or threatened by any third party against the Tenant or the Property relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Material; (iii) the presence or release of any Hazardous Material in, on, under, about or from the Property; or (iv) Tenant's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Project that may in any way affect the Property pursuant to any Laws or cause it or any part thereof to be designated as Border Zone Property. The matters set forth in the foregoing clauses (i) through (iv) are hereinafter referred to as "Hazardous Materials Claims". The Landlord shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated in connection with any Hazardous Materials Claim.

(4) Tenant shall promptly take all actions at its sole expense as are necessary to remediate the Property as required by law; provided that Landlord's approval of such actions shall first be obtained, which approval shall not be unreasonably withheld. Without the Landlord's prior written consent, Tenant shall not enter into any settlement agreement, consent decree, or other compromise in respect to any Hazardous Materials Claim.

7.6.2 Environmental Indemnity. From and after the Commencement Date, Tenant shall indemnify, defend and hold Landlord and Indemnitees harmless from and against any demand, lawsuit, liability, obligation, claim, damage, fine, penalty, expense, cost, or cause of action, whether at law or in equity, or any Hazardous Materials Claims resulting from, arising out of, or based upon the release, use, generation, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from, the Site in violation, or alleged violation, of any Environmental Laws, no matter when occurred, except that the foregoing indemnity obligation shall not apply to any matters that arise out of the active negligence or willful misconduct of Landlord and Indemnitees. This indemnity shall include any damage, liability, fine, penalty, parallel indemnity, cost or expense arising from or out of any claim, action, suit or proceeding for bodily injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the environment, nuisance, trespass, contamination, leak, spill, release or other adverse effect on the environment. Tenant's indemnification obligations set forth in this Section shall survive the expiration or earlier termination of this Agreement.

7.6.3 No Limitation. Tenant hereby acknowledges and agrees that Tenant's duties, obligations and liabilities under this Agreement are in no way limited or otherwise affected by any information the Landlord may have concerning the Property and/or the presence in, on,

under or about the Property of any Hazardous Material, whether the Landlord obtained such information from the Tenant or from its own investigations, unless such information was known to the Landlord at the time of execution of this Agreement but not disclosed to Tenant and not known to Tenant at the time of execution of this Agreement.

7.6.4 Definitions.

7.6.4.1 “**Hazardous Materials**” means any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including any material or substance which is: (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under sections 25115, 25117 or 25122.7, or listed pursuant to section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (ii) defined as a “hazardous substance” under section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (iii) defined as a “hazardous material,” “hazardous substance,” or “hazardous waste” under section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (iv) defined as a “hazardous substance” under section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (v) petroleum, or any fraction thereof; (vi) friable asbestos; (vii) polychlorinated biphenyls; (viii) listed under Article 9 or defined as “hazardous” or “extremely hazardous” pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20; (ix) designated as “hazardous substances” pursuant to section 311 of the Clean Water Act (33 U.S.C. § 1317); (x) defined as a “hazardous waste” pursuant to section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, (42 U.S.C. § 6903); or (xi) defined as “hazardous substances” pursuant to section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601, et seq., as the foregoing statutes and regulations now exist or may hereafter be amended.

7.6.4.2 “**Environmental Laws**” means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees, of the United States, the State of California, the County of Orange, City, any other political subdivision in which the Site is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over City, Developer, the Site, the Improvements or Hazardous Materials, including all applicable state labor laws and standards (including prevailing wages, as applicable); all applicable public contracts requirements, zoning and development standards; building, plumbing, mechanical and electrical codes; all other provisions of the City Municipal Code (including City’s Living Wage Ordinance in section 5-31.01, et seq. thereof, as applicable), and all applicable disabled and handicapped access requirements, including the Americans With Disabilities Act, 42 U.S.C. section 12101, et seq., Government Code section 4450, et seq., Government Code section 11135, et seq., and the Unruh Civil Rights Act, Civil Code section 51, et seq.

ARTICLE VIII

SURRENDER AND RIGHT TO REMOVE

8.1 Ownership During Term.

8.1.1 Improvements. During the Term of this Lease the Improvements shall, subject to the terms of this Lease, be and remain the property of Tenant.

8.1.2 Personal Property. All personal property, furnishings, fixtures and equipment installed by Tenant in, on or around the Property which (i) are not attached to the Property so as to cause substantial damage upon removal, and (ii) are not necessary for the construction or the normal operation and occupancy of the Project, shall be the personal property of Tenant (the "**Personal Property**"). At any time during the Term, Tenant shall have the right to remove the Personal Property provided Tenant shall repair any damage caused by the removal of such Personal Property. Personal Property shall not include any portion or part of building components or fixtures necessary for the completion of the Project or the operation of the basic building systems (such as elevators, escalators, chillers, boilers, plumbing, electrical systems, lighting, sanitary fixtures and HVAC systems) which shall be deemed a part of the Improvements.

8.2 Ownership at Lease Termination.

8.2.1 Improvements. Upon the expiration or earlier termination of the Lease ("**Lease Termination**") the Improvements and all stoves, refrigerators and dishwashers installed in the residential units (the "**Appliances**") shall unconditionally be and become the property solely of Landlord, and no compensation therefor shall be due or paid by Landlord to Tenant for any part thereof, and this Lease shall operate as a conveyance and assignment thereof. Upon Lease Termination, Tenant shall surrender to Landlord the Property, the Improvements and the Appliances in good order, condition and repair, reasonable wear and tear excepted, free and clear of all liens, claims and encumbrances other than those matters existing prior to the Effective Date or matters subsequently created or consented to by Landlord. Upon Lease Termination, at Landlord's request Tenant agrees to execute, acknowledge and deliver to Landlord such recordable instruments (including a Termination of Memorandum of Lease) as are necessary or desirable to confirm the termination of the Lease and all Tenant's rights hereunder and to perfect Landlord's right, title and interest in and to the Property, the Improvements and the Appliances.

8.2.2 Personal Property. With the exception of the Appliances, any Personal Property may be removed prior to Lease Termination by Tenant; provided, however, the removal shall be with due diligence, and without expense to Landlord, and any part of the Property damaged by such removal shall be promptly repaired by Tenant. Any Personal Property which remains on the Property for thirty (30) days after the Lease Termination may, at the option of Landlord, be deemed to have been abandoned and either may be retained by Landlord as its property AND TENANT HEREBY WAIVES ANY STATUTES AND OTHER LAWS TO THE CONTRARY. If requested by Landlord within a reasonable time but not less than six months prior to the termination of this Lease, upon Lease Termination Tenant shall, at Tenant's sole cost and expense, remove all Personal Property, or portions thereof designated by Landlord.

8.3 Condition of Improvements at Lease Termination. Landlord has entered this Lease in reliance on the fact that, at Lease Termination, Landlord will receive from Tenant the Improvements and Appliances in good condition and repair, reasonable wear and tear excepted and reflecting the age of the Improvements and Appliances at such time and Landlord's willingness during the Term of this Lease to consent to the encumbrance of Tenant's interest in the Property for construction financing. At any time during the Term, upon reasonable advance notice and during normal business hours, Landlord may inspect the Property and Improvements and Appliances to confirm that they are being properly maintained as required herein. Following its inspection, Landlord may deliver to Tenant written notification of any portions of the Property or Improvements or Appliances which Landlord has determined are not being properly maintained and Tenant shall promptly comply with the provisions of this Lease regarding such items; provided, the failure of Landlord to inspect or to notify Tenant of any default hereunder shall not be a waiver of Landlord's right to enforce Tenant's maintenance and repair obligations hereunder.

8.4 Survival. The provisions of this Article VIII shall survive Lease Termination.

ARTICLE IX

INSURANCE

9.1 Insurance. Tenant, at its sole cost and expense, commencing upon the Effective Date and continuing throughout the Term (except as otherwise specified below) shall keep and maintain in full force and effect policies of insurance pursuant to and in accordance with the requirements set forth in this Article IX. Landlord shall review and update the insurance requirements no more often than every five (5) years during the term of this Lease and shall provide to Tenant written notice of the updated insurance requirements.

(a) Tenant and all contractors working on behalf of Tenant on the Project shall maintain a commercial general liability policy in the amount of One Million Dollars (\$1,000,000) each occurrence, Two Million Dollars (\$2,000,000) annual aggregate, together with Three Million Dollars (\$3,000,000) excess liability coverage, or such other policy limits as Landlord may require in its reasonable discretion, including coverage for bodily injury, property damage, products, completed operations and contractual liability coverage. Such policy or policies shall be written on an occurrence basis and shall name the Indemnitees as additional insureds.

(b) Tenant and all contractors working on behalf of Tenant shall maintain a comprehensive automobile liability coverage in the amount of One Million Dollars (\$1,000,000), combined single limit including coverage for owned and non-owned vehicles and shall furnish or cause to be furnished to Landlord evidence satisfactory to Landlord that Tenant and any contractor with whom Tenant has contracted for the performance of work on the Property or otherwise pursuant to this Agreement carries workers' compensation insurance as required by law. Automobile liability policies shall name the Indemnitees as additional insureds.

(c) Upon commencement of construction work and continuing until issuance of the final certificate of occupancy or equivalent for the Project, Tenant and all contractors

working on behalf of Tenant shall maintain a policy of builder's all-risk insurance in an amount not less than the full insurable cost of the Project on a replacement cost basis naming Landlord as loss payee.

(d) Developer and any contractor or subcontractor with whom Developer or the general contractor has contracted for the performance of work on the Property or otherwise pursuant to this Agreement, shall carry statutory Workers' Compensation insurance and Employer's Liability insurance in a minimum amount of One Million Dollars (\$1,000,000) per accident.

(e) Developer shall require the Project architect, engineer, and general contractor to maintain Professional Liability/Errors and Omissions insurance with limits not less than Two Million Dollars (\$2,000,000) each claim. The City's Risk Manager may consider requests for lower limits for professionals that will provide a limited scope of services for the Project. Certificates evidencing this coverage must reference both the Developer and the Indemnitees. If the professional liability/errors and omissions insurance is written on a claims made form: (i) the retroactive date must be shown and must be before the Effective Date, (ii) insurance must be maintained and evidence of insurance must be provided for at least three (3) years after completion of Project construction, and (iii) if coverage is cancelled or non-renewed and not replaced with another claims made policy form with a retroactive date prior to the Effective Date, Developer must purchase, or require the provision of, extended period coverage for a minimum of three (3) years after completion of construction.

(f) Tenant shall maintain property insurance covering all risks of loss (other than earthquake), including flood (if required) for 100% of the replacement value of the Project with deductible, if any, in an amount acceptable to Landlord, naming Landlord as loss payee.

(g) Companies writing the insurance required hereunder shall be licensed to do business in the State of California. Insurance shall be placed with insurers with a current A.M. Best's rating of no less than A: VII. The Commercial General Liability and comprehensive automobile policies required hereunder shall name the Indemnitees as additional insureds. Builder's Risk and property insurance shall name Landlord as loss payee as its interest may appear pursuant to this Lease.

(h) Tenant is obligated to have previously delivered to Landlord, as a condition to Closing under the DDA reasonable evidence of all such insurance. If Tenant has neglected to so, then prior to commencement of construction work, Tenant shall furnish Landlord with certificates of insurance in form acceptable to Landlord evidencing the required insurance coverage and duly executed endorsements evidencing such additional insured status. The certificates shall contain a statement of obligation on the part of the carrier to notify Landlord of any material adverse change, cancellation, termination or non-renewal of the coverage at least thirty (30) days in advance of the effective date of any such material adverse change, cancellation, termination or non-renewal.

(i) If any insurance policy or coverage required hereunder is canceled or reduced, Tenant shall, within fifteen (15) days after receipt of notice of such cancellation or reduction in coverage, but in no event later than the effective date of cancellation or reduction,

file with Landlord a certificate showing that the required insurance has been reinstated or provided through another insurance company or companies. Upon failure to so file such certificate, Landlord may, without further notice and at its option, procure such insurance coverage at Tenant's expense, and Tenant shall promptly reimburse Landlord for such expense upon receipt of billing from Landlord. Failure to file such certificate shall also constitute an event of default.

(j) Coverage provided by Tenant shall be primary insurance and shall not be contributing with any insurance, or self-insurance maintained by Landlord, and the policies shall so provide. The Tenant's full insurance limit, including limits that exceed the requirements of this Lease shall be available to cover claims against the Landlord. The insurance policies shall contain a waiver of subrogation for the benefit of the Landlord. Tenant shall furnish the required certificates and endorsements to Landlord prior to the commencement of construction of the Project, and shall provide Landlord with certified copies of the required insurance policies upon request of Landlord.

(k) Tenant shall obtain and deliver to Landlord additional insured endorsements for the general liability coverage, and shall use Insurance Services Office (ISO) Form No. CG 20 09 11 85 or CG 20 10 11 85, or equivalent, including (if used together) CG 2010 10 01 and CG 2037 10 01; but shall not use the following forms: CG 20 10 10 93 or 03 94.

ARTICLE X

INDEMNIFICATION BY TENANT

Tenant shall indemnify, defend (with counsel approved by Landlord), protect and save Landlord and its elected and appointed officials, officers, employees, and agents (all of the foregoing, collectively the "**Indemnitees**") harmless from and against any and all claims, liabilities, losses, damages, fines, penalties, claims, demands, suits, actions, causes of action, judgments, judicial or administrative proceeding, deficiency, order, costs and expenses (including without limitation reasonable attorneys' fees and court costs) (all of the foregoing, collectively "**Claims**") which directly or indirectly, in whole or in part, are caused by, arise in connection with, result from, relate to, or are alleged to be caused by, arise in connection with, or relate to: the construction, renovation, use, operation, or management of, the Property or the Improvements; any breach or default on the part of Tenant in the performance of any covenant or agreement to be performed by Tenant pursuant to this Lease; any negligence of Tenant or any of its agents, contractors, employees, sublessees or licensees; any accident, injury or damage caused to any person in or on the Property or Improvements; the furnishing of labor or materials by Tenant; or the failure to comply with Applicable Laws; whether or not any insurance policies shall have been determined to be applicable to any such Claims. It is further agreed that Landlord does not and shall not waive any rights against Tenant which they may have by reason of this indemnity and hold harmless agreement because of the acceptance by Landlord, or Tenant's deposit with Landlord of any of the insurance policies described in this Agreement. Tenant's indemnification obligations set forth in this Section shall not apply to Claims arising solely from the gross negligence or willful misconduct of the Indemnitees. Tenant's obligations under this Article shall survive the expiration or earlier termination of this Agreement.

ARTICLE XI

DAMAGE AND DESTRUCTION

11.1 Damage or Destruction. In the event of any damage to or destruction of the Improvements during the Term for which insurance coverage is required under this Lease, Tenant shall restore and rebuild the Improvements as nearly as possible to their condition immediately prior to such damage or destruction, subject to any restrictions imposed by changes in Applicable Law and the availability of insurance proceeds for such purpose. Tenant shall commence diligently and continuously to carry out such rebuilding to full completion as soon as possible. Unless Landlord agrees otherwise in writing, Tenant shall commence reconstruction of the Improvements within one hundred and eighty (180) days following the date upon which insurance proceeds are made available for such work. Tenant shall be deemed to have commenced reconstruction when Tenant engages an architect for such work. Upon the occurrence of damage or destruction, all insurance proceeds paid in respect of such damage or destruction shall be applied to the payment of the costs of the restoration and rebuilding required to be performed by Tenant pursuant to this Lease. The insurance proceeds shall be held in trust by a financial institution agreed upon by Landlord and Tenant (the “**Insurance Trustee**”), with the costs of such trust to be a first charge against the insurance proceeds. After the completion of the restoration and rebuilding of the Improvements, any remaining insurance proceeds shall be paid to Tenant and Tenant shall be entitled to retain the same.

11.1.1 Mortgagee Protection. Notwithstanding the foregoing or any other provision to the contrary in this Article XI, if a Leasehold Mortgagee requires insurance proceeds payable with respect to a casualty to be paid to it or its successors or assigns pursuant to the terms of its Leasehold Mortgage, the insurance proceeds shall be delivered to such Leasehold Mortgagee to be applied by such Leasehold Mortgagee in accordance with such Leasehold Mortgage. No settlement with the issuer of any insurance policy purchased by the Tenant shall be made without the mutual agreement of the Landlord and Tenant and any Leasehold Mortgagee. Landlord and Tenant each agree to execute, acknowledge and deliver to the other any instruments that may be reasonably required to effectuate or facilitate this provision.

11.2 Rebuilding by Tenant. The funds held by the Insurance Trustee shall be held in trust and shall be applied to the cost of rebuilding. Any funds held by the Insurance Trustee following final completion of rebuilding and payment of all costs and expenses thereof and removal of any liens related thereto, shall be paid to Tenant.

11.3 Disbursement of Funds. The Insurance Trustee shall disburse funds only on a periodic basis approved by Landlord and Tenant and only upon receipt of invoices and other documentation, certified as correct by Tenant’s architect, if an architect is required for the repair, evidencing satisfactory completion of the work for which payment is requested (a “**Payment Request**”). Further, the Insurance Trustee shall not disburse any funds unless the payment request is accompanied by (a) an executed conditional lien release in form complying with California law relating to all labor and materials described in the Payment Request and (b) an executed final lien release in form complying with California law releasing all claims for labor and materials described in the immediately preceding Payment Request.

11.4 Notice Required. In the event of material damage to or destruction of the Improvements, or any part thereof, Tenant shall promptly give Landlord and Leasehold Mortgagee notice of such occurrence and take all actions reasonably required to protect against hazards caused by such damage or destruction. For purposes of this Article XI damage or destruction shall be deemed to be material if the estimated cost to repair equals or exceeds One Hundred Thousand Dollars (\$100,000).

11.5 Removal of Debris. If this Lease shall terminate following the occurrence of damage to or destruction of the Improvements and at a time when Tenant shall not have restored and rebuilt the Improvements, then Tenant shall, at its cost and expense after the use of any insurance proceeds released for such purpose, remove the debris and damaged portion of Improvements (including without limitation all foundations) and restore the Property and Improvements or the applicable portion thereof to a neat, clean and safe condition.

11.6 Tenant's Right to Terminate. Notwithstanding any contrary provision of this Article XI, Tenant shall have the option to terminate this Lease and be relieved of the obligation to restore the Improvements where all or substantially all of the Improvements are substantially damaged or destroyed and such damage or destruction resulted from a cause not insured against by Tenant nor required to be insured against by Tenant under this Lease (an "**Uninsured Loss**"), and where all of the following occur:

(i) No more than one hundred twenty (120) days following the Uninsured Loss, Tenant shall notify Landlord of its election to terminate this Lease. To be effective, such notice must include the written consent of all Leasehold Mortgagees and partners of Tenant to Tenant's exercise of the option to terminate set forth in this Section 11.6. Landlord shall be entitled to rely upon the foregoing notice and certification as conclusive evidence that Tenant has obtained the consent of all Leasehold Mortgagees to Tenant's exercise of its option to terminate this Lease.

(ii) No more than sixty (60) days following the giving of the notice required by the preceding paragraph (i) or such longer time as may be reasonable under the circumstances, Tenant shall, at Tenant's expense after the use of any insurance proceeds released for such purpose, remove all debris and other rubble from the Property, secure the Property against trespassers, and at Landlord's election, remove all remaining Improvements on the Property.

(iii) No more than thirty (30) days following Tenant's termination notice, Tenant shall deliver to Landlord a quitclaim deed to the Property and Improvements in recordable form, in form and content satisfactory to Landlord and/or with such other documentation as may be reasonably requested by Landlord or any title company on behalf of Landlord, terminating Tenant's interest in the Property and Improvements.

ARTICLE XII

LANDLORD'S RIGHT TO PERFORM TENANT'S COVENANTS

If Tenant shall at any time fail to pay any Imposition or other charge payable by Tenant to a third party as required by this Lease within the time permitted (which shall be deemed to

include any time to contest the same that is permitted by Applicable Laws), or to pay for or maintain any of the insurance policies required pursuant to Article IX within the time therein permitted, or to make any other payment or perform any other act on its part to be made or performed hereunder within the time permitted by this Lease, then after thirty (30) days' written notice to Tenant and after satisfying all other notice requirements set forth in this Lease respecting Leasehold Mortgagees and partners of Tenant and such parties' failure to timely cure (or as applicable, commence to cure) the same, and without waiving or releasing Tenant from any obligation of Tenant hereunder, Landlord may (but shall not be required to): (i) pay such Imposition or other charge payable by Tenant; (ii) pay for and maintain such insurance policies required pursuant to Article IX; or (iii) make such other payment or perform such other act on Tenant's part to be made or performed under this Lease; and Landlord may enter upon the Property and Improvements for such purpose and take all such action thereon as may be reasonably necessary therefor.

All sums paid by Landlord and all costs and expense incurred by Landlord in connection with the performance of any such act (together with interest thereon at the Default Rate from the respective dates of Landlord's making of each such payment) shall constitute additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand. The "**Default Rate**" shall mean interest calculated at an annual rate equal to the rate of interest most recently announced by Bank of America N.A. (or its successor bank) at its San Francisco office as its "reference rate" but in no event more than the maximum rate of interest permitted by law. If Bank of America or its successor no longer issues a "reference rate," the most comparable rate of the largest bank with its corporate headquarters in California shall be used. If there is no such bank or comparable rate, then the Default Rate shall be the highest legal rate of interest that may be charged at that time.

ARTICLE XIII

REPAIRS, CHANGES, ALTERATIONS AND NEW CONSTRUCTION

13.1 Repairs and Maintenance. Tenant covenants and agrees, throughout the Term, without cost to Landlord, to take good care of the Property and to keep the same in good order and condition. Tenant shall promptly, at Tenant's own cost and expense, make all necessary repairs, interior and exterior, structural and nonstructural, ordinary as well as extraordinary, whether contemplated or not contemplated at the time of execution of this Lease, and shall keep the Property in a well maintained, safe, clean and sanitary condition. The term "repairs" shall include replacements or renewals when necessary, and all such repairs made by Tenant shall be at least equal in quality and class to the original work. Tenant waives any rights created under any law now or hereafter in force to make repairs to the Improvements at Landlord's expense. Tenant shall keep and maintain all portions of the Property and the sidewalks adjoining the same in a clean and orderly condition, free of accumulation of dirt, rubbish, and graffiti. From time to time during the Term, upon not less than 48 hours prior notice from Landlord, Landlord may enter the Property, or portions thereof, to determine if Tenant is properly maintaining the Property. If, following any such inspection by Landlord, Landlord delivers notice of any deficiency to Tenant, Tenant shall promptly prepare and deliver to Landlord Tenant's proposed plan for remedying the indicated deficiencies. Tenant's failure to deliver a remedial plan and to complete, within a reasonable time, remedial work shall be a default under this Lease (subject to

all applicable notice and cure rights of Tenant, Leasehold Mortgagees, and partners of Tenant). Landlord's failure to deliver, following any Landlord's inspection, any notice of deficiency to Tenant, shall not be a waiver of any default by Tenant under this Article XIII. Tenant shall defend, indemnify and hold Landlord harmless from and against any claim, loss, expense, cost, or liability incurred by Landlord arising out of Tenant's failure to fully and timely fulfill its obligations to maintain and repair the Property as required hereunder.

13.2 Changes and Alterations. Tenant shall not during the Term make any changes or alterations in, to or of the Improvements without the prior written consent of Landlord, which Landlord shall not unreasonably withhold, so long as Tenant complies with all of the following at Tenant's sole cost and expense:

(a) The change or alteration shall be in harmony with neighboring buildings and shall not materially impair the value or structural integrity of the Improvements.

(b) The change or alteration shall be for a use which is permitted hereunder.

(c) No change, alteration or addition shall be undertaken until Tenant shall have obtained and paid for, so far as the same may be required from time to time, all permits and authorizations of any federal, state or municipal government or departments or subdivisions of any of them, having jurisdiction. Landlord shall join in the application for such permits or authorizations whenever such action is necessary; provided, however, that Landlord shall incur no liability or expense in connection therewith.

(d) Any change, alteration or addition shall be made in a good and workmanlike manner and in accordance with all applicable permits and all Applicable Laws.

(e) During the period of initial renovation of, or of construction of any change, alteration or addition in, to or of, the Improvements or of any permitted demolition or new construction or of any restoration, Tenant shall maintain or cause to be maintained property and other applicable insurance described in Article IX, which policy or policies by endorsement thereto, if not then covered, shall also insure any change, alteration or addition or new construction, including all materials and equipment incorporated in, on or about the Improvements (including excavations, foundations and footings) under a broad form all risks builders' risk form or equivalent thereof.

(f) Tenant shall comply with the provisions of Article VI hereof.

(g) At Landlord's request, Tenant shall provide Landlord with a copy of as-built drawings for the Improvements within sixty (60) days following the completion of the Improvements.

13.3 Exceptions to Requirement for Consent. The foregoing notwithstanding, following Landlord's issuance of a Certificate of Completion as provided by the DDA, Tenant shall not be required to obtain Landlord's prior written consent to any changes, alterations or improvements so long as all the following requirements are met:

(a) The change, alteration or improvement is nonstructural;

(b) The change, alteration or improvement is not visible from the exterior of any building on the Land;

(c) The change, alteration or improvement has a cost of less than One Hundred Thousand Dollars (\$100,000); and

(d) The provisions of Article VI are satisfied.

Notwithstanding the foregoing, except in response to emergency situations for which it would not be reasonably practicable or possible to provide such advance notice, Tenant shall deliver to Landlord not later than ten (10) days prior to commencement of any construction, change, alteration or repair, written notice of the proposed work, a general description of the proposed work and sufficient information to permit Landlord to post a notice of non-responsibility on the Property.

13.4 No Right to Demolish. Notwithstanding any other provisions of this Article XIII, Tenant shall have no right to demolish any Improvement, once built, unless Tenant shall have received the prior written consent of Landlord which shall not be unreasonably withheld if the age and condition of the Improvements makes repair or reconstruction impractical or financially infeasible.

ARTICLE XIV

EMINENT DOMAIN

14.1 Eminent Domain.

14.1.1 Definitions. The following definitions shall apply in construing the provisions of this Article XIV:

(a) “**Award**” means all compensation, damages or interest, or any combination thereof, paid or awarded for the taking, whether pursuant to judgment, by agreement, or otherwise.

(b) “**Notice of intended taking**” means any notice or notification on which a reasonably prudent person would rely and would interpret as expressing an existing intention of taking as distinguished from a mere preliminary inquiry or proposal. It includes, but is not limited to, the service of a condemnation summons and complaint on a party to this Lease. The notice is considered to have been received when a party to this Lease receives from the condemning agency or entity a written notice of intent to take.

(c) “**Partial taking**” means any taking that is not a total taking, a substantial taking, or a temporary taking.

(d) “**Substantial taking**” means the taking of so much of the Property that the remaining portion thereof would not be economically and feasibly usable by Tenant for the then existing uses and purposes of the Property, in Tenant’s reasonable judgment, but shall exclude a temporary taking.

(e) “**Taking**” means any taking of or damage, including severance damage, to all or any part of the Property or any interest therein by the exercise of the power of eminent domain, or by inverse condemnation, or a voluntary sale, transfer or conveyance under threat of condemnation in avoidance of the exercise of the power of eminent domain or while condemnation proceedings are pending.

(f) “**Temporary taking**” means the taking of any interest in the Property for a period of less than one (1) year.

(g) “**Total taking**” means the taking of all or substantially all of the Property, but shall exclude a temporary taking.

14.1.2 Notice. The party receiving any notice of the kind specified below shall promptly give the other party and all Leasehold Mortgagees written notice of the receipt, contents and date of the notice received:

- (a) notice of intended taking;
- (b) service of any legal process relating to condemnation of all or any portion of the Property;
- (c) notice in connection with any proceedings or negotiations with respect to such a condemnation; or
- (d) notice of intent or willingness to make or negotiate a private purchase, sale or transfer in lieu of condemnation.

Landlord and Tenant, and any Leasehold Mortgagee, each shall have the right to represent its respective interest in each proceeding or negotiation with respect to a taking or intended taking and to make full proof of their respective claims. No agreement, settlement, sale or transfer to or with the condemning authority shall be made without the mutual agreement of Landlord and Tenant and any Leasehold Mortgagee. Landlord and Tenant each agree to execute, acknowledge and deliver to the other any instruments that may be reasonably required to effectuate or facilitate the provisions of this Lease relating to condemnation.

14.1.3 Total or Substantial Taking. In the event of a total or substantial taking of fee title to the Property, Tenant’s interest in this Lease and all obligations of Tenant subsequently accruing hereunder shall cease as of the date of the vesting of title in the condemning authority; provided, however, that if actual physical possession of all or part of the Property is taken by the condemning authority prior to such date of vesting of title, Tenant’s obligations to pay Rent and other sums under this Lease shall terminate as of such earlier date. In the event of a total or substantial taking of an interest in the Property other than fee title, at Tenant’s option (exercisable by written notice to Landlord), Tenant’s interest in this Lease and all obligations of Tenant subsequently accruing hereunder shall cease as aforesaid.

14.1.4 Award. In the event of a total or substantial taking, the Award shall be apportioned as follows, in the following order:

(a) To Leasehold Mortgagee in an amount equal to the amount owing on the Leasehold Mortgage.

(b) To Landlord that portion of the Award equal to the fair market value of the Property. Any “bonus value” attributable to this Lease shall be paid to Landlord.

(c) To Tenant, that portion of the Award equal to the fair market value of the Improvements (subject to Landlord’s reversionary interest), less the amount paid to the Leasehold Mortgagee pursuant to (a) above.

(d) The balance, if any, shall be allocated between Landlord and Tenant respectively in that proportion in which (i) the fair market value of the Property bears to (ii) the fair market value of the Improvements, exclusive of Landlord’s reversionary interest.

14.1.5 Temporary Taking. In the event of a temporary taking, Tenant shall be entitled to the whole Award, and this Lease shall remain in full force and effect.

14.1.6 Partial Taking. In the event of a partial taking, this Lease shall remain in full force and effect, covering the remainder of the Property, and Tenant shall repair and restore any damage to the Improvements caused by such partial taking consistent with and subject to the provisions applicable to a restoration in the event of an insured casualty under Article IX, so that after completion of the restoration the Improvements shall be, as nearly as possible, in a condition as good as the condition immediately preceding the partial taking. The Award for any partial taking shall be deposited and disbursed in the same manner as insurance proceeds are disbursed for restoration pursuant to Article IX, and upon completion of the restoration, any remaining portion of the Award shall be allocated as set forth in Section 14.1.6.1.

14.1.6.1 Award on Partial Taking. In the event of a partial taking, after application of the Award for restoration pursuant to Section 14.1.6, any remaining portion of such Award shall be apportioned as follows, in the following order:

(a) To Leasehold Mortgagee in an amount equal to the amount owing on the Leasehold Mortgage.

(b) To Landlord, that portion of the Award attributable to the fair market value of the portion of the Property taken.

(c) To Tenant, that portion of the Award equal to the fair market value of the portion of the Improvements taken (subject to Landlord’s reversionary interest), less the amount paid to the Leasehold Mortgagee pursuant to (a) above, but only to the extent that the proceeds of the Award are not used for restoration of the Improvements.

(d) The balance, if any, shall be allocated between Landlord and Tenant respectively in that proportion in which (i) the fair market value of the Property bears to (ii) the fair market value of the Improvements exclusive of the reversionary interest of Landlord. Any “bonus value” attributable to this Lease shall be paid to Landlord.

(e) Any severance damages awarded or payable because only a portion of the Property is taken by eminent domain shall be (a) paid to Tenant during the first 27.5 years of this Lease and (b) equally divided between Tenant and Landlord during the next 27.5 years of this Lease (except to the extent needed to replace any Improvements taken by eminent domain with equivalent Improvements on the remainder of the Property).

No payments shall be made to Tenant pursuant to this Section if any default by Tenant hereunder has occurred and is continuing unless and until such default is cured.

14.1.6.2 Partial Taking in Last Five Years. If a partial taking occurs during the last five (5) years of Term and the reasonably estimated cost of reconstruction work exceeds ten percent (10%) of the replacement value of the Improvements, Tenant shall have the right and option to treat the same as a substantial taking by giving written notice thereof to Landlord no later than the earlier of: (a) the date of vesting of title in the condemning authority of the portion of the Property taken, or (b) the date upon which the condemning authority takes physical possession of such portion of the Property. If Tenant does give such notice the partial taking shall be considered as a substantial taking and the taking shall be subject to the provisions of Section 14.1.3.

ARTICLE XV

MORTGAGES

15.1 Leasehold Mortgages. Tenant shall have the right, at any time and from time to time during the Term, to encumber its leasehold interest hereunder with a Leasehold Mortgage or Mortgages subject to Landlord's prior written consent (which consent will not be unreasonably withheld) provided that (a) no Leasehold Mortgage shall in any way impair (except as otherwise stated herein or as provided by law) the enforcement of Landlord's right and remedies herein and by law provided, (b) any such Leasehold Mortgage shall at all times be subject and subordinate to, and shall not affect or become a lien upon Landlord's right, title or estate in the Property or in this Lease, and (c) Tenant shall give Landlord prior written notice of any such Leasehold Mortgage, accompanied by a true and correct copy of any such Leasehold Mortgage. Any Leasehold Mortgage shall be subject to the terms and conditions set forth in this Article XV.

15.2 Rights of Leasehold Mortgagee.

15.2.1 Notices. If Tenant shall have provided Landlord with written notice of the address of any Leasehold Mortgagee, Landlord shall mail to such Leasehold Mortgagee a copy of any notice under this Lease at the time of giving such notice to Tenant, and no such notice shall be effective against such Leasehold Mortgagee, and no termination of this Lease or termination of Tenant's right of possession of the Property or reletting of the Property by Landlord predicated on the giving by Landlord of any notice shall be effective, unless Landlord gives to such Leasehold Mortgagee written notice or a copy of its notice to Tenant of such default or termination, as the case may be.

15.2.2 Right to Cure.

(a) In the event of any default by Tenant under the provisions of this Lease, the Leasehold Mortgagee shall have the right, but not the obligation, to remedy or cause to be remedied such default (including the right to enter the Property and to take possession of the Property if necessary to cure the default) within the same cure period as afforded Tenant hereunder, extended by an additional sixty (60) days, which cure period shall commence as against the Leasehold Mortgagee upon the delivery to the Leasehold Mortgagee of the notice of default. Landlord shall accept such performance by the Leasehold Mortgagee as if the same had been done by Tenant.

(b) The term “**incurable default**” as used herein means any default which cannot be reasonably cured by a Leasehold Mortgagee. The term “**curable default**” means any default under this Lease which is not an incurable default. Any failure to pay monetary sums shall at all times be deemed a curable default. Any failure to comply with the requirements of Section 7.2 hereof shall at all times be deemed a curable default, and as to Leasehold Mortgagees or any entity acquiring the interest of Tenant in the Property and in this Lease as a result of the foreclosure of a Leasehold Mortgage (or an assignment or deed in lieu thereof), Landlord shall not terminate this Lease provided such party is diligently and in good faith proceeding to cure any such default. In the event of any curable default under this Lease, and if prior to the expiration of the applicable grace period specified in Section 15.2.2 (a) the Leasehold Mortgagee shall give Landlord written notice that it intends to undertake the curing of such default, or to cause the same to be cured, or to exercise its rights to acquire the leasehold interest of Tenant or possession of the Property by foreclosure or otherwise, and shall promptly commence and then proceed with diligence to do so, whether by performance on behalf of Tenant of its obligations under this Lease, by foreclosure or otherwise, then Landlord will not terminate or take any action to effect a termination of this Lease or re-enter, take possession of or relet the Property, appoint a receiver, exercise any other remedy under this Lease, or similarly enforce performance of this Lease so long as the Leasehold Mortgagee is diligently and in good faith engaged in the curing of such default or effecting such foreclosure, and upon completion of a foreclosure (or assignment or deed in lieu thereof) and obtaining of possession by the Leasehold Mortgagee, the applicable cure period shall be deemed to have been commenced. The foregoing sentence shall not be deemed to extend the time period within which a default in the payment of money must be cured under Section 15.2.2 (a). The Leasehold Mortgagee shall not be required to continue such possession or continue such foreclosure proceedings. Nothing herein shall preclude Landlord from terminating this Lease with respect to any additional default which shall occur during any period of forbearance and not be remedied within the cure period, if any, applicable to any such additional default, except that Leasehold Mortgagee shall have the same rights specified in this Article XV with respect to any additional defaults.

In the event of any incurable default under this Lease, and if prior to the expiration of the applicable grace period specified in Section 15.2.2 (a) of this Lease, the Leasehold Mortgagee shall give Landlord written notice that it intends to exercise its rights to acquire the leasehold interest of Tenant by foreclosure or otherwise, and shall promptly commence and then proceed with diligence to do so, whether by foreclosure or otherwise, then Landlord will not terminate or take any action to effect a termination of this Lease or re-enter, take possession of or relet the Property or similarly enforce performance of this Lease so long as the Leasehold Mortgagee is diligently and in good faith engaged in effecting such foreclosure and such incurable default

shall be deemed cured upon the foreclosure of the Leasehold Mortgage (or assignment or deed in lieu thereof).

(c) If the default by Tenant pertains to the failure of Tenant to complete construction of the Project within the time period required under Section 6.2 of this Lease, and if prior to the expiration of the applicable grace period specified in Section 15.2.2 (a) of this Lease, the Leasehold Mortgagee shall give Landlord written notice that it intends to undertake to exercise its rights to acquire the leasehold interest of Tenant or possession of the Property by foreclosure or otherwise, and shall promptly commence and then proceed with diligence to do so, whether by foreclosure or otherwise, then Landlord will not terminate or take any action to effect a termination of this Lease or re-enter, take possession of or relet the Property or similarly enforce performance of this Lease so long as the Leasehold Mortgagee is diligently and in good faith engaged in the completion of the construction of the Project or effecting such foreclosure or acquisition of possession; provided, however, Landlord shall not be obligated to forbear from a termination or other enforcement of its rights under the Lease in response to such default beyond the date which is two (2) years following the date of foreclosure of the Leasehold Mortgage (or deed or assignment in lieu of foreclosure).

(d) If a Leasehold Mortgage is prohibited, stayed or enjoined by any bankruptcy, insolvency or other judicial proceedings involving Tenant from commencing or prosecuting foreclosure or other appropriate proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings for Leasehold Mortgagee shall be extended for the period of such prohibition.

15.2.3 Execution of New Lease. If this Lease is terminated for any reason, including by Tenant's trustee in bankruptcy, receiver, liquidator or other similar person on account of a default or if Tenant's interest under this Lease shall be sold, assigned or transferred pursuant to the exercise of any remedy of the Leasehold Mortgagee, or pursuant to judicial proceedings, and if (i) all monetary defaults of Tenant have been cured, and (ii) the Leasehold Mortgagee shall have arranged to the reasonable satisfaction of Landlord to cure any other curable default of Tenant under this Lease, then Landlord, within thirty (30) days (or such period as may reasonably be necessary to enable Landlord to comply with statutory requirements applicable to Landlord's lease of real property) after receiving a written request therefor, which shall be given within sixty (60) days after such termination or transfer and upon payment to it of all reasonable out-of-pocket expenses, including attorneys' fees, incident thereto, will execute and deliver a new lease of the Property to the Leasehold Mortgagee or its affiliate or other nominee or to the purchaser, assignee or transferee, as the case may be, for the remainder of the Term, containing the same covenants, agreements, terms, provisions, priority, and limitations, as are contained herein. The tenant under such new lease shall be personally obligated only for the performance of obligations under the Lease commencing as of the date of such foreclosure or assumption, and ending as of the date of any assignment of the Lease to a successor tenant.

(a) Upon the execution and delivery of a new lease, the new tenant, in its own name or in the name of Landlord may take all appropriate steps as shall be necessary to remove Tenant from the Property, but Landlord shall not be subject to any liability for the payment of fees, including attorneys' fees, costs or expenses in connection therewith, and the new tenant shall pay all such fees, including attorneys' fees, costs and expenses, on demand, and

shall make reimbursement to Landlord of all such fees, including attorneys' fees, costs and expenses, incurred by Landlord. Tenant acknowledges and agrees that Landlord shall have no liability whatsoever to Tenant in connection with any such action, and hereby releases Landlord from any claim Tenant may have with respect thereto.

(b) Following foreclosure or enforcement of a Leasehold Mortgage, or assignment in lieu thereof, Landlord will recognize the purchaser or assignee of the leasehold estate as the Tenant under the Lease.

(c) After such termination and cancellation of the Lease and prior to the expiration of the period within which the Leasehold Mortgagee may elect to obtain a new lease from Landlord, Landlord shall refrain from terminating any existing sublease or otherwise encumbering the Property or the Improvements without the prior written consent of the Leasehold Mortgagee. Any new lease shall vest in the new lessee all right, title, interest, power and privileges of Tenant hereunder in and to the Property and the Improvements, including, without limitation, the assignment of Tenant's interest in and to all then existing subleases and sublease rentals and the automatic vesting of title to all Improvements, fixtures and personal property of Tenant. Such new lease shall provide, with respect to each and every permitted sublease which immediately prior to the termination of the Lease was superior to the lien of the Leasehold Mortgage that the new lessee shall be deemed to have recognized the sublessee under the sublease, pursuant to the terms of the sublease as though the sublease had never terminated but had continued in full force and effect after the termination of the Lease, and to have assumed all the obligations of the sublessor under the sublease accruing from and after the termination of the Lease, except that the obligation of the new lessee, as sublessor, under any covenant of quiet enjoyment, expressed or implied, contained in any such sublease shall be limited to the acts of such new lessee and those claiming by, under or through such new lessee. If more than one entity claims to be the Leasehold Mortgagee that is entitled to a new lease pursuant to this subsection, Landlord shall enter into such new lease with the lender whose mortgage or deed of trust is prior in lien. Landlord, without liability to Tenant or any lender with an adverse claim, may rely upon a lender title insurance policy issued by a responsible title insurance company doing business in the state of California as the basis for determining the appropriate Leasehold Mortgagee who is entitled to such new lease.

15.2.4 Tenant Default Under Leasehold Mortgage. If Tenant defaults under a Leasehold Mortgage, the Leasehold Mortgagee may exercise with respect to Tenant's interest in the Property and the Improvements any right, power or remedy under the Leasehold Mortgage which is not in conflict with the provisions of this Lease, including without limitation, judicial or nonjudicial foreclosure of the Leasehold Mortgage (or deed or assignment in lieu thereof), appointment of a receiver, and/or revocation of Tenant's license to collect rents.

15.2.5 No Merger. There shall be no merger of this Lease or any interest in this Lease, nor of the leasehold estate created hereby, with the fee estate in the Property, by reason of the fact that this Lease or such interest therein, or such leasehold estate may be directly or indirectly held by or for the account of any person who shall hold the fee estate in the Property, or any interest in such fee estate, nor shall there be such a merger by reason of the fact that all or any part of the leasehold estate created hereby may be conveyed or mortgaged in a Leasehold

Mortgage to a Leasehold Mortgagee who shall hold the fee estate in the Property or any interest of the Landlord under this Lease.

15.2.6 Assumption of Obligations. For the purpose of this Article XV, the making of a Leasehold Mortgage shall not be deemed to constitute an assignment or Transfer of this Lease or of the leasehold estate hereby created, nor shall any Leasehold Mortgagee, as such, be deemed an assignee or transferee of this Lease or of the leasehold estate hereby created so as to require such Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants or conditions on the part of Tenant to be performed hereunder. The purchaser at any sale of this Lease and of the leasehold estate hereby created in any proceedings for the foreclosure of any Leasehold Mortgage, or the assignee or transferee of this Lease and of the leasehold estate hereby created under any instrument or assignment or transfer in lieu of the foreclosure of any Leasehold Mortgage, in order to be deemed to be an assignee or transferee and before the same shall be binding on Landlord, must assume in writing the performance of all of the terms, covenants, and conditions on the part of Tenant to be performed hereunder during the period such party holds a leasehold interest in the Property by an instrument, in recordable form, reasonably satisfactory to Landlord; provided however, that nothing contained herein shall be construed to require the purchaser, assignee or transferee as described above to be obligated to cure any default by Tenant.

15.2.7 Limitation of Leasehold Mortgagee Liability for Tenant Defaults. Notwithstanding any contrary provision hereof: (i) no Leasehold Mortgagee shall be required to pay any liens or charges that are extinguished by the foreclosure of its Leasehold Mortgage; (ii) any incurable default shall be, and shall be deemed to have been waived by Landlord upon completion of foreclosure proceedings or acquisition of Tenant's interest in this Lease by any purchaser at a foreclosure sale, or any entity who otherwise acquires Tenant's interest from the Leasehold Mortgagee by deed in lieu of foreclosure. Any entity acquiring the interest of Tenant in the Property and in this Lease as a result of the foreclosure of a Leasehold Mortgage (or an assignment or deed in lieu thereof) acquires an interest in the leasehold only, and shall be liable to perform the obligations of Tenant under this Lease only during the period such entity retains ownership of the interest of Tenant in the Property and in this Lease.

15.3 Non-Subordination of Fee. Nothing in this Lease shall be construed as an agreement by Landlord to subordinate its fee interest in the Property or its right to rent payments hereunder or any other right of Landlord herein. Except as expressly set forth in this Article XV, no Leasehold Mortgage shall impair Landlord's ability to enforce its rights and remedies under this Lease or provided by law. Landlord shall have no obligation to encumber or otherwise subordinate its fee interest in the Property or in this Lease to the interest of any Leasehold Mortgagee in this Lease or in Tenant's leasehold estate.

15.4 Subsequent Transfers. In the event any person or entity becomes the lessee under the Lease by means of foreclosure or deed in lieu of foreclosure or pursuant to any new lease obtained under Section 15.2.7, such person or entity may assign or Transfer the Lease or such new lease in compliance with the terms of Article XVI.

15.5 Landlord's Rights Under Leasehold Mortgages.

15.5.1 Notice of Tenant's Default. Tenant shall use best efforts to ensure that every Leasehold Mortgage secured by a deed of trust on Tenant's leasehold estate in the Property shall expressly provide that:

(a) the lender shall give Landlord contemporaneous notice of any default by Tenant thereunder, if the failure to cure such default could reasonably be expected to result in acceleration of the maturity of the debt secured by the Leasehold Mortgage; provided however, that the lender's giving or failure to give notice shall not affect the lender's rights or ability to timely pursue all applicable remedies, including, but not limited to, filing a notice of default or notice of sale, instituting judicial foreclosure proceedings, or seeking the appointment of a receiver. In addition, within three (3) business days following Tenant's receipt of any notice of default under any financing document affecting the Property, Tenant shall provide Landlord with a copy of such notice.

(b) Landlord shall have the right to cure any curable default by Tenant (but without obligation to do so) upon the same terms and conditions and within ninety (90) days measured from the date that Landlord receives notice thereof; and

(c) If Landlord shall tender payment in full of all sums required to be paid under the Leasehold Mortgage or the note secured thereby (disregarding any acceleration of maturity thereunder, but including any costs or expenses arising as a result of such default) on or before ninety (90) calendar days from the date of such notice of default from the lender to Landlord, then the lender shall accept such payment and rescind the acceleration, if any. Any sums paid by Landlord pursuant to this Section 15.5.1 shall become immediately due and payable from Tenant to Landlord as Rent due under this Lease; provided however, that no Leasehold Mortgagee shall be obligated to cure a failure by Tenant to pay such amount pursuant to the rights granted to Leasehold Mortgagees under this Lease and Landlord shall have no right to terminate this Lease as a result of Tenant's failure to pay such amounts.

(d) Landlord shall have the right and option (but not the obligation), during the period described in the last sentence of this paragraph, by notice in writing to the lender, to purchase any Leasehold Mortgage, the note secured thereby, and any other instruments securing or guaranteeing such note or otherwise evidencing any obligation secured by the Leasehold Mortgage. The purchase price therefor shall be the full amount due and owing to the lender thereunder, including any costs, expenses, swap termination fees, and penalties payable in accordance with the terms thereof. The sale and assignment by the lender shall be without recourse or warranty by the lender except that such lender has good title to the note (or is authorized to obtain payment or acceptance on behalf of one who has good title) and has the authority to transfer the loan to the Landlord. The right granted by this paragraph may be exercised by Landlord at any time after the lender has declared the entire sum secured by any Leasehold Mortgage to be due and payable or has commenced proceedings to foreclose any Leasehold Mortgage, and such right shall terminate ninety (90) days following receipt by Landlord of the notice described above.

15.6 No Voluntary Surrender/Modification. Notwithstanding anything to the contrary set forth herein, Landlord will not voluntarily surrender the Lease or accept a voluntary surrender of the Tenant's leasehold estate, and Landlord will not amend or modify the Lease without the

prior written consent of (i) all holders of any Leasehold Mortgage then in effect (which such party may withhold in such party's sole discretion), and (ii) the limited partners of Tenant. Landlord will not enforce against any Leasehold Mortgagee any waiver or election made by Tenant under the Lease which has a material adverse effect on the value of Tenant's leasehold estate or the rights of Tenant under the Lease without the prior written consent of such Leasehold Mortgagee (which may be withheld in its sole discretion).

15.7 Leasehold Mortgagee Right to Pay Landlord Obligations. Leasehold Mortgagees identified by written notice by Tenant to Landlord shall have the right, but not the obligation, upon not less than five (5) business days' prior written notice to Landlord, to pay any taxes payable by Landlord with respect to the Property, and to cure any monetary or nonmonetary default by Landlord under any encumbrance on the Property which has priority over this Lease; and if any Leasehold Mortgagee does so pay or cure any such encumbrance (not including any property taxes or assessments, which are to be paid by Tenant), Landlord agrees that it will reimburse such Leasehold Mortgagee for the amount thereof promptly following Landlord's receipt of Leasehold Mortgagee's written request therefor.

15.8 Amendments for the Benefit of Leasehold Mortgagees. Landlord and Tenant shall cooperate to include in this Lease by reasonable amendment from time to time, reasonable provisions which may reasonably be requested by any proposed Leasehold Mortgagee for the purpose of implementing the mortgagee protection provisions contained in this Lease and allowing such Leasehold Mortgagee reasonable means to protect or preserve the lien of the Leasehold Mortgage upon the occurrence of a default under the Lease. Landlord and Tenant each agree to execute and deliver (and acknowledge, if necessary for recording purposes) any agreement reasonably necessary to effect any such amendment; provided however, that any such amendment shall not in any way affect the Term, the Rent payable hereunder, nor otherwise in any material respect adversely affect any rights or materially increase the obligations of Landlord under this Lease.

ARTICLE XVI

ASSIGNMENT, TRANSFER, SUBLETTING

16.1 Restrictions on Transfer or Assignment by Tenant. Prior to the issuance of a Certificate of Completion for the Project as provided by the DDA, any sale, transfer, encumbrance, pledge, assignment, conveyance, sublease or other disposition of all or any portion of Tenant's interest in the Property, the Improvements, or this Lease shall be prohibited. Upon issuance and recordation of the Certificate of Completion for the Project as provided by the DDA, except as permitted pursuant to Article XV and this Article XVI, Tenant shall not sell, transfer, encumber, pledge, assign, convey, sublet or otherwise dispose ("**Transfer**") all or any portion of its interest in the Property, the Improvements or this Lease voluntarily, involuntarily, by operation of law, or otherwise, without Landlord's prior written consent. Each Transfer shall comply with all requirements therefor set forth elsewhere in this Lease and Tenant shall have no right to hypothecate or encumber its interest in this Lease or sublet or assign all or any portion of the Property and/or the Improvements except as expressly provided under the terms of this Lease. No voluntary or involuntary assignee, sublessee, or successor in interest of Tenant shall acquire any rights or powers under this Lease except as expressly set forth herein.

16.1.1 Exceptions. Notwithstanding any contrary provision of this Lease, Landlord's consent shall not be required, and the provisions of Section 16.2 below shall not be applicable, with respect to the following Transfers: (A) the renting or leasing of residential units to tenants in the ordinary course of business in accordance with the Affordable Housing Covenant; (B) the granting of a Leasehold Mortgage in accordance with Section 15.1 or the foreclosure of a Leasehold Mortgage or the acquisition of Tenant's interest in this Lease by an assignment or deed in lieu of foreclosure; and (C) the first Transfer following any event described in clause (B) of this sentence. In addition, Landlord shall not unreasonably withhold consent to any Transfer of Tenant's interest in the Property or any portion thereof, to an entity in which _____ ("_____"), retains 50% or more of the equity or beneficial interest in said entity and controls such entity, or to a limited partnership in which _____ or its affiliate acts as the general partner, provided Landlord is given the applicable entity organizational documents. Neither the transfer of limited partner interests in Tenant, nor the admission of an investor limited partner to Tenant's partnership shall be considered a Transfer for purposes of this Article XVI.

16.2 Procedure for Obtaining Landlord's Consent.

(a) Transfer Request. With respect to each Transfer requiring the Landlord's consent under Section 16.1, Tenant shall send to Landlord written request for Landlord's approval of the Transfer (a "**Transfer Consent Request**") specifying the name and address of the proposed transferee and its legal composition (if applicable). Each Transfer Request shall be accompanied by all of the following:

(i) An audited or certified financial statement of the proposed transferee for the three most recent calendar or fiscal years prepared in accordance with generally accepted accounting procedures by a certified public accounting firm sufficiently current and detailed to evaluate the proposed transferee's assets, liabilities and net worth and certified as true and correct by the proposed transferee;

(ii) a description of the nature of the interest proposed to be transferred, the portion or portions of the Property affected by the Transfer, and the proposed effective date of such Transfer;

(iii) a true and complete copy of the proposed assumption agreement described in Section 16.6 and any other documents relating to the assignment and assumption (including any documents that include payment for the assignment);

(iv) a complete history of the proposed transferee describing its background, its current real estate projects and location thereof, and the background of the principals or personnel to be involved in the development or operation of the portion of the Property subject to the Transfer and stating whether the proposed transferee ever filed for bankruptcy or had projects that were foreclosed;

(v) a description of all projects of the proposed transferee which during the past five (5) years have been the subject of substantial litigation; and

(vi) any such other information as reasonably requested by Landlord within fifteen (15) days following the receipt of the above information, in order to make an informed decision whether or not to approve or disapprove the Transfer.

(b) Approval of Landlord. Within sixty (60) days following receipt of all the information referred to in Section 16.3 (a), Landlord shall approve or disapprove a proposed transferee with respect to the information supplied which approval shall not be unreasonably withheld (but may be conditioned upon Landlord receipt of all or a portion of any assignment consideration, it being acknowledged that this long term lease does not include any requirement for payment of periodic rent). If Landlord fails to give Tenant written notice of its disapproval of the transferee or request additional information in writing within such sixty (60) day period, it shall be deemed to have disapproved the transferee.

16.3 Subleases; Nondisturbance and Attornment. Tenant shall not permit its space tenants to sublease their apartment units. Tenant agrees for the benefit of Landlord that each sublease, rental agreement, and any other agreement for occupancy of any part of the Improvements (each an “**Occupancy Agreement**”): (a) shall state that it is subject to the terms and provisions of this Lease, and (b) shall require that the subtenant under the Occupancy Agreement shall attorn to and accept Landlord as the lessor or other party under the Occupancy Agreement in the event this Lease is terminated. Landlord agrees that as long as each Occupancy Agreement complies with the requirements of the preceding clauses (a) and (b), then upon the expiration or termination of this Lease, Landlord shall recognize the subtenant or occupant under the Occupancy Agreement as the direct tenant of Landlord under the terms and conditions contained in the Occupancy Agreement and for a term equal to the then unexpired term of the Occupancy Agreement; provided however, that: (i) at the time of the expiration or termination of this Lease no uncured default shall exist under the Occupancy Agreement which at such time would permit the termination of the Occupancy Agreement or the exercise of any dispossession remedy provided for therein; and (ii) Landlord shall not be (x) liable for any prior act or omission of Tenant under the Occupancy Agreement; (y) liable for the return of any security deposit under the Occupancy Agreement not actually received by Landlord; or (z) subject to any offsets or defenses that the subtenant or occupant may have against Tenant. The provisions of this Section 16.3 shall survive the expiration or termination of this Lease.

16.4 Limitations.

(a) Non-Transfer Period. In no event shall Tenant request Landlord to approve any Transfer prior to the date that all of the following shall have occurred:

(i) the construction of the Improvements shall be complete and a Certificate of Completion as provided by the DDA shall be issued with respect to the Project; and

(ii) all costs and expenses with regard to the construction of the Project and related Improvements shall be paid in full, all lien periods shall have expired and there shall be no liens on the Property, the Improvements, the Landlord’s fee title or any portion thereof.

The provisions of this Section 16.4 (a) shall not be applicable to the granting of a Leasehold Mortgage in accordance with Section 15.1, and shall not be applicable to, or after, the foreclosure of a Leasehold Mortgage or the acquisition of Tenant's interest in this Lease by assignment or deed in lieu of foreclosure.

(b) No Relief from Liability. No Transfer will limit, diminish or otherwise relieve Tenant or a successor in interest/assignee of any liability described herein arising during its ownership of the leasehold estate evidenced by this Lease.

(c) No Consent If Bankruptcy. In no event shall Landlord be required to consent or be deemed to consent to a Transfer to a party then subject to any proceedings under any insolvency, bankruptcy or similar laws.

(d) Criteria for Transfer. Among other valid reasons for withholding consent, Landlord shall be deemed to be reasonable in withholding its consent to a proposed Transfer if, among other requirements, either of the following conditions is unsatisfied:

(i) Tenant delivers to Landlord an audited financial statement of the proposed transferee for the three most recent calendar or fiscal years prepared in accordance with generally accepted accounting principles by a recognized certified accounting firm demonstrating that the proposed transferee (or its principals) is a viable, going concern with sufficient financial ability to own, operate and manage the Property; and

(ii) the proposed transferee shall have demonstrated experience operating and managing affordable residential projects similar to the Project.

16.5 Involuntary and Other Transfers. Without limiting any other restrictions on transfer contained in this Lease, no interest of Tenant in this Lease, the Property or part thereof shall be assignable in the following manner:

(a) under an order of relief filed, or a plan of reorganization confirmed, for or concerning Tenant by a bankruptcy court of competent jurisdiction under the federal bankruptcy act or the laws of the State of California, whereby any interest in this Lease, the Property or part thereof is assigned to any party which does not qualify as an approved transferee pursuant to this Lease unless such order is filed or such plan is confirmed in connection with an involuntary proceeding brought against Tenant and Tenant reacquires such transferred interest within ninety (90) days after the date such order is filed or such plan is confirmed;

(b) if Tenant assigns substantially all of its assets for the benefit of its creditors;
or

(c) if an order of attachment is issued by a court of competent jurisdiction, whereby any interest in this Lease, the Property or part thereof or substantially all of Tenant's assets are attached by its creditors and such order of attachment is not stayed within ninety (90) days after the date it is issued.

The transfers described in this Section 16.5 shall constitute a breach under this Lease by Tenant and Landlord shall have the right to terminate this Lease as a result of any such transfer taking

place, in which case this Lease shall not be treated as an asset of Tenant. In such event, a Leasehold Mortgagee may request a new lease in accordance with Section 15.2.3.

16.6 Assumption Agreement and Release. No permitted Transfer shall be effective until any curable default hereunder shall have been cured and there shall have been delivered to Landlord an assumption agreement, executed by the transferor and the proposed transferee, whereby such transferee expressly assumes liability for such Lease obligations as arise and/or accrue during the period in which the transferee retains ownership of the interest of Tenant in the Property and in this Lease. The parties agree that as a condition to any Transfer taking place the transferee shall deliver to Landlord representations and warranties confirming the accuracy of the information delivered to Landlord concerning its current financial condition and its outstanding or pending liabilities.

16.7 Change in General Partner of Tenant. In addition to the restrictions on Transfers as set forth in this Article XVI, Landlord shall have the right to approve any change in the identity of the general partner of Tenant, including without limitation, any admission of any new general partner or withdrawal of any existing general partner. Such approval right of Landlord shall also apply to the transfer of a majority of the ownership interest in a general partner of Tenant. Notwithstanding any contrary provision of this Section 16.7, Landlord's approval shall not be required with respect to any change in the identity or ownership of the general partner of Tenant as long as following such change the general partner of Tenant continues to be an entity which controls, is controlled by, or is under common control with

_____ . For purposes of this Article XVI, "control" shall mean the right to direct the management and affairs of an entity, whether by virtue of the ownership of ownership interests, by contract, by appointment of directors or by common or overlapping boards. Removal of the general partner of Tenant by the Tenant's Limited Partner for cause in accordance with the Tenant's Partnership Agreement shall not require the consent of the Landlord, provided, that the Limited Partner concurrently with removal of the General Partner replaces the General Partner with an interim replacement General Partner ("Interim General Partner") that is an affiliate of the Limited Partner. The Limited Partner must replace the Interim General Partner with a permanent replacement General Partner ("Permanent Replacement General Partner") within 90 days from the date the General Partner was removed from the Partnership. Upon written request from the Tenant, the Landlord may give the Tenant thirty (30) day extensions at Landlord's sole discretion, up to a total of a ninety (90) day extension, but in all events the Permanent Replacement General Partner must be admitted to the Partnership no later than one hundred eighty days (180) after the date the General Partner was removed from Tenant. The nomination of the Permanent Replacement General Partner shall be subject to City's consent. Failure to replace the General Partner with the Permanent Replacement General Partner within the time set forth above shall constitute an Event of Default under this Lease and Landlord may terminate the Lease immediately upon delivering the Notice of termination. .

16.8 Sale by Landlord. Nothing contained in this Lease shall be deemed in any way to limit, restrict or otherwise affect the right of Landlord to sell, transfer, assign or convey all or any portion of the right, title and estate of Landlord in the Property and in this Lease; provided, however, that in each such instance any such sale, transfer, assignment or conveyance shall be subject to this Lease, and Tenant's other rights arising out of this Lease shall not be affected or disturbed in any way by any such sale, transfer, assignment or conveyance. Any other provision

of this Lease to the contrary notwithstanding, each covenant, agreement or obligation of Landlord under this Lease relating to the ownership or use of the Property is intended to and shall constitute a covenant running with the title to the Property and shall be binding upon the owner from time to time of the Property. At such time as Landlord shall sell, transfer, assign or convey the entire right, title and estate of Landlord in the Property and in this Lease, all obligations and liability on the part of Landlord arising under this Lease after the effective date of such sale, transfer, assignment or conveyance shall terminate as to Landlord, and thereupon all such liabilities and obligations shall be binding upon the transferee.

ARTICLE XVII

BREACHES, REMEDIES AND TERMINATION

17.1 Event of Default. Tenant shall be in default under this Lease upon the occurrence of any of the following (“**Events of Default**”):

(a) Monetary Obligation. Tenant at any time is in default hereunder as to any monetary obligation (including without limitation, Tenant’s obligation to pay taxes and assessments due on the Property or part thereof, subject to Tenant’s rights to contest such charges pursuant to Section 5.2), and such default continues for ten (10) days after a notice of default is delivered by Landlord to Tenant;

(b) Insurance. Tenant fails to obtain and maintain any policy of insurance required pursuant to this Lease;

(c) Abandonment. Tenant abandons the Property;

(d) Bankruptcy. Tenant or any general partner of Tenant files a voluntary petition in bankruptcy or files any petition or answer seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for itself under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or seeks or consents to or acquiesces in the appointment of any trustee, receiver or liquidator of Tenant (or any general partner of Tenant) or of all or any substantial part of its property, or of any or all of the royalties, revenues, rents, issues or profits thereof, or makes any general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

(e) Reorganization. A court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Tenant seeking any reorganization, dissolution or similar relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, and such order, judgment or decree remains unvacated and unstayed for an aggregate of ninety (90) days from the first date of entry thereof, or any trustee receiver or liquidator of Tenant of all or any substantial part of its property, or of any or all of the royalties, revenues, rents, issues or profits thereof is appointed without the consent or acquiescence of Tenant and such appointment remains unvacated and unstayed for an aggregate of ninety (90) days, such ninety (90) day period to be extended in all cases during any period of a bona fide appeal diligently pursued by Tenant;

(f) Attachment. Subject to Tenant's right to contest the following charges pursuant to Sections 5.2 and 6.6, Tenant fails to pay prior to delinquency taxes or assessments due on the Property or the Improvements or fails to pay when due any other charge that may result in a lien on the Property or the Improvements, and Tenant fails to cure such default within ninety (90) days of the date of delinquency, but in all events prior to the date upon which the holder of any lien has the right to pursue foreclosure thereof;

(g) Transfer. Tenant Transfers all or any portion of Tenant's interest in this Lease, the Property, the Improvements or part thereof in violation of the provisions of Article XVI and fails to rescind such Transfer within ten (10) days after written notice from Landlord;

(h) Failure to Comply with Construction Deadlines. Tenant fails to comply with any construction deadlines under Section 6.2 (subject to force majeure delays, as described therein).

(i) Other Obligations. Tenant defaults in the performance of any term, provision, covenant or agreement contained in this Agreement other than an obligation enumerated in this Section 17.1 and unless a shorter cure period is specified for such default, the default continues for ten (10) days in the event of a monetary default or thirty (30) days in the event of a nonmonetary default after the date upon which Landlord shall have given written notice of the default to Tenant; provided however, if the default is of a nature that it cannot be cured within thirty (30) days, an Event of Default shall not arise hereunder if Tenant commences to cure the default within thirty (30) days and thereafter prosecutes the curing of such default with due diligence and in good faith to completion.

17.2 Notice and Opportunity to Cure.

17.2.1 Notice of Breach. Unless expressly provided otherwise in this Lease, no breach by a party shall be deemed to have occurred under this Lease unless another party first delivers to the nonperforming party a written request to perform or remedy (the "**Notice of Breach**"), stating clearly the nature of the obligation which such nonperforming party has failed to perform, and stating the applicable period of time, if any, permitted to cure the default.

17.2.2 Failure to Give Notice of Breach. Failure to give, or delay in giving, Notice of Breach shall not constitute a waiver of any obligation, requirement or covenant required to be performed hereunder. Except as otherwise expressly provided in this Lease, any failure or delay by either party in asserting any rights and remedies as to any breach shall not operate as a waiver of any breach or of any such rights or remedies. Delay by either party in asserting any of its rights and remedies shall not deprive such party of the right to institute and maintain any action or proceeding which it may deem appropriate to protect, assert or enforce any such rights or remedies.

17.2.3 Limited Partners' Right to Cure. Provided Tenant shall have informed Landlord of the identity and address for notices of the applicable limited partner (which may be accomplished by delivery to Landlord of a copy of Tenant's partnership agreement or amendment thereto with such information), the limited partners of Tenant ("**Limited Partners**") shall have the right to cure any curable default of Tenant hereunder upon the same terms and

conditions afforded to Tenant within the same cure period as afforded Tenant hereunder extended by an additional sixty (60) days; provided however, if the default is of such a nature that the Limited Partners reasonably determine that it is necessary to replace the general partner of Tenant in order to cure such default, then the cure period shall be extended by an additional sixty (60) days after the removal and replacement of such general partner, provided that the Limited Partners have promptly commenced and diligently proceeded with all requisite actions to effect such removal and replacement. Landlord agrees that it shall deliver notice of default to the Limited Partners in accordance with Section 17.2.1 concurrently with delivery of such notice to Tenant provided that Landlord has been given the address for delivery of such notices. Any such cure by a Limited Partner shall be accepted by Landlord as if performed by Tenant or by any Leasehold Mortgagee. If this Lease has been terminated, upon any such cure by a Limited Partner, Landlord shall, upon request by such Limited Partner enter into a new lease with such Limited Partner (or any of its affiliated designees) pursuant to substantially similar terms and conditions as those set forth in this Lease, subject to the rights of Leasehold Mortgagees pursuant to Article XV. Notwithstanding the preceding sentence, the Landlord shall not exercise its rights to terminate this Lease pursuant to Section 17.3 until the expiration of the Limited Partner's cure period. No rights and remedies of Landlord shall be effective as against any Limited Partner unless Landlord has delivered to such Limited Partner all notices required to be so delivered hereunder and such Limited Partner has been afforded the opportunity to cure as provided herein. Landlord agrees not to amend any material provision of this Lease without the prior written consent of the Limited Partners.

17.3 Remedies Upon Default.

17.3.1 Landlord's Remedies. Upon the occurrence of any Event of Default and in addition to any and all other rights or remedies of Landlord hereunder and/or provided by law, but subject in all events to the rights and remedies of Leasehold Mortgagees under Article XV hereof and of any Limited Partner under this Article XVII, Landlord shall have the right to terminate this Lease and/or Tenant's possessory rights hereunder, in accordance with applicable law to re-enter the Property and take possession thereof and of the Improvements, and except as otherwise provided herein, to remove all persons and property therefrom, and to store such property at Tenant's risk and for Tenant's account, and Tenant shall have no further claim thereon or hereunder. In no event shall this Lease be treated as an asset of Tenant after any final adjudication in bankruptcy except at Landlord's option so to treat the same but no trustee, receiver, or liquidator of Tenant shall have any right to disaffirm this Lease.

17.3.2 Remedies Upon Abandonment. If Tenant should breach this Lease and abandon the Property, Landlord may, at its option, but subject in all events to the rights and remedies of Leasehold Mortgagees under Article XV hereof and of any Limited Partner under this Article XVII, enforce all of its rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder. Additionally, Landlord shall be entitled to recover from Tenant all costs of maintenance and preservation of the Property, and all costs, including attorneys' and receiver's fees incurred in connection with the appointment of and performance by a receiver to protect the Property and Landlord's interest under this Lease.

17.3.3 Landlord Right to Continue Lease. In the event of any default under this Lease by Tenant (and regardless of whether or not Tenant has abandoned the Property), this

Lease shall not terminate (except by an exercise of Landlord's right to terminate under Section 17.3.1) unless Landlord, at Landlord's option, elects to terminate Tenant's right to possession or, at Landlord's further option, by the giving of any notice (including, without limitation, any notice preliminary or prerequisite to the bringing of legal proceedings in unlawful detainer) to terminate Tenant's right to possession. For so long as this Lease continues in effect, Landlord may enforce all of Landlord's rights and remedies under this Lease, including, without limitation, the right to recover all rent and other monetary payments as they become due hereunder. For the purposes of this Lease, the following shall not constitute termination of Tenant's right to possession: (a) acts of maintenance or preservation or efforts to relet the Property; or (b) the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease.

17.3.4 Right to Injunction; Specific Performance. In the event of a default by Tenant under this Lease that remains uncured beyond any applicable grace periods permitted hereunder, Landlord shall have the right to commence an action against Tenant for damages, injunction and/or specific performance. Tenant's failure, for any reason, to comply with a court-ordered injunction or order for specific performance shall constitute a breach under this Lease.

17.3.5 Damages Upon Termination. Should Landlord elect to re-enter the Property, or should Landlord take possession pursuant to legal proceedings or to any notice provided by law, this Lease shall thereupon terminate, and Landlord may recover from Tenant all amounts necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things are likely to result therefrom, including all costs (including attorneys' fees) of repossession, removing persons or property from the Property, repairs, reletting and reasonable alterations of the Improvements in connection with reletting, if any.

17.4 Right to Receiver. Following the occurrence of an Event of Default, if Tenant (and all Leasehold Mortgagees and Limited Partners) fails after delivery of a notice of default or Notice of Breach to cure the default within the time period set forth in this Lease, Landlord, at its option, may have a receiver appointed to take possession of Tenant's interest in the Property with power in the receiver (a) to administer Tenant's interest in the Property, (b) to collect all funds available in connection with the operation of the Property, and (c) to perform all other acts consistent with Tenant's obligations under this Lease, as the court deems proper. Landlord's rights under this Section 17.4 shall be subject and subordinate to the rights of all Leasehold Mortgagees and Limited Partners.

17.5 Remedies Cumulative. No remedy in this Article XVII shall be considered exclusive of any other remedy, but the same shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute, and every power and remedy given by this Lease may be exercised from time to time and as often as occasion may arise or as may be deemed expedient, subject to any limitations referred to hereinabove.

17.6 No Election of Remedies. The rights given in this Article XVII to receive, collect or sue for any rent or rents, moneys or payments, or to enforce the terms, provisions and conditions of this Lease, or to prevent the breach or nonobservance thereof, or the exercise of

any such right or of any other right or remedy hereunder or otherwise granted or arising, shall not in any way affect or impair or toll the right or power of Landlord upon the conditions and subject to the provisions in this Lease to terminate Tenant's right of possession because of any default in or breach of any of the covenants, provisions or conditions of this Lease beyond the applicable cure period.

17.7 Survival of Obligations. Nothing herein shall be deemed to affect the right of Landlord to indemnification for liability arising prior to the termination of the Lease for personal injuries or property damage or in connection with any other Claim, nor shall anything herein be deemed to affect the right of Landlord to equitable relief where such relief is appropriate. No expiration or termination of the Lease by operation of law, or otherwise, and no repossession of the Property or any part thereof shall relieve Tenant of its previously accrued liabilities and obligations hereunder, all of which shall survive such expiration, termination or repossession.

17.8 No Waiver. Except to the extent that Landlord may have agreed in writing, no waiver by Landlord of any breach by Tenant of any of its obligations, agreements or covenants hereunder shall be deemed to be a waiver of any subsequent breach of the same or any other covenant, agreement or obligation, nor shall any forbearance by Landlord to seek a remedy for any breach by Tenant be deemed a waiver by Landlord of its rights or remedies with respect to such breach.

ARTICLE XVIII

GENERAL PROVISIONS

18.1 Estoppel Certificates. At any time and from time to time, Landlord and Tenant, shall for the benefit of any Limited Partner or Leasehold Mortgagee, on at least twenty (20) days' prior written request by the requesting party, deliver to the party requesting same a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there shall have been modifications that the same is in full force and effect as modified and stating the modifications) and the dates to which the Rent has been paid and stating whether or not, to the best knowledge of the certifying party, the other party is in default in the performance of any covenant, agreement or condition contained in this Lease and, if so, specifying each such default of which the certifying party may have knowledge and such other statements or certifications reasonably requested. A prospective purchaser, mortgagee, or Limited Partner shall be entitled to request such a statement and rely on a statement delivered hereunder.

18.2 Quiet Enjoyment. Landlord covenants and agrees that Tenant (and pursuant to the provision of Articles XV and XVII, respectively, any Leasehold Mortgagee and Limited Partner, as applicable), upon paying the Rent and all other charges herein provided for and observing and keeping all covenants, agreements and conditions of this Lease on its part to be observed and kept, shall quietly have and enjoy the Property during the Term of this Lease without hindrance or molestation by anyone claiming by or through Landlord, subject, however, to the exceptions, reservations and conditions of this Lease.

18.3 Landlord's Right to Enter the Property. Landlord and its agents may enter the Property or the Improvements from time to time with reasonable notice (and, upon Tenant's request, when accompanied by representative(s) of Tenant), except for emergencies in which case no notice shall be required, to inspect the same, to post notices of nonresponsibility and similar notices, and to discharge Tenant's obligations hereunder when Tenant has failed to do so within a reasonable time after written notice from Landlord.

18.4 Miscellaneous.

18.4.1 Severability. If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

18.4.2 Notices. Except as otherwise specified herein, all notices to be sent pursuant to this Lease shall be made in writing, and sent to the Parties at their respective addresses specified below or to such other address as a Party may designate by written notice delivered to the other parties in accordance with this Section. All such notices shall be sent by:

(a) certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt; or

(b) nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service.

Landlord:

City of Hawthorne
4455 W. 126th Street,
Hawthorne, CA 90250
Attention: City Manager

With a required copy to:

City of Hawthorne
4455 W. 126th Street,
Hawthorne, CA 90250
Attention: City Attorney

Tenant:

And with copies to: [TBD Tax Credit Investor]

Leasehold Mortgagees: [TBD]

18.4.3 Captions; Construction. The captions used for the sections and articles of this Lease are inserted for convenience only and shall not be used to construe this Lease. The language in all parts of this Lease shall be construed as a whole, according to its fair meaning and not strictly for or against Landlord or Tenant.

18.4.4 Tenant's Rights. Landlord acknowledges that, subject to Tenant's obligations to pay rent pursuant to the terms of this Lease, Tenant shall have the exclusive right to deduct, claim, retain and enjoy any and all income, appreciation gain, depreciation, amortization and tax credits for federal and state tax purposes relating to the Property and Landlord shall treat Tenant as the tax owner of the Property for federal income tax purposes and shall not file any tax returns inconsistent with this treatment.

18.4.5 Binding on Successors. Subject to the restrictions on Transfers set forth in Article XVI, this Agreement shall bind and inure to the benefit of the Parties and their respective permitted successors and assigns. Any reference in this Agreement to a specifically named Party shall be deemed to apply to any permitted successor and assign of such Party who has acquired an interest in compliance with this Agreement or under law.

18.4.6 Short Form of Lease. A memorandum of lease substantially in the form attached hereto as Exhibit B shall be executed by Landlord and Tenant and recorded in the Office of the Orange County Recorder.

18.4.7 Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws. Any action to enforce or interpret this Agreement shall be filed and heard in the Superior Court for Orange County, California or in the Federal District Court for the Southern District of California.

18.4.8 Attorneys' Fees. If either Party fails to perform any of its obligations under this Agreement, or if any dispute arises between the Parties concerning the meaning or interpretation of any provision hereof, then the prevailing Party in any proceeding in connection with such dispute shall be entitled to the costs and expenses it incurs on account thereof and in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements.

18.4.9 Indemnity Includes Defense Costs. In any case where either party is obligated under an express provision of this Lease, to indemnify and to save the other party harmless from any damage or liability, the same shall be deemed to include defense of the indemnitee by the indemnitor, such defense to be through legal counsel reasonably acceptable to the indemnitee.

18.4.10 No Brokers; No Third-Party Beneficiaries. Landlord represents that it has not engaged any broker or agent to represent Landlord in this transaction. Tenant represents

that it has not engaged any broker or agent to represent Tenant in this transaction. Each party agrees to indemnify and hold the other harmless from and against any and all liabilities or expenses, including attorneys' fees and costs, arising out of, or in connection with claims made by any broker or individual for commissions or fees as a result of the acts of the indemnifying party. There shall be no third-party beneficiaries to this Lease other than the Leasehold Mortgagees and Limited Partners.

18.4.11 Disclaimer of Partnership, Lender/Borrower Relationship. The relationship of the parties under this Lease is solely that of landlord and tenant, and it is expressly understood and agreed that Landlord does not as a result of this Lease in any way nor for any purpose become a partner of Tenant or a joint venturer with Tenant in the conduct of Tenant's business or otherwise. This Lease is not intended to, and shall not be construed to, create the relationship of principal and agent, partnership, joint venture, association, or seller and buyer as between Landlord and Tenant. It is further expressly understood and agreed that this Lease is not intended to, and shall not be construed to create the relationship of lender and borrower, and Landlord does not, solely as a result of this Lease, become a lender to Tenant.

18.4.12 Entire Agreement; Amendments. This Lease together with the DDA, the Affordable Housing Covenant and the other documents executed in connection with the DDA contains the entire agreement between the parties relative to the subject matter hereof. All previous correspondence, communications, discussions, agreements, understandings or proposals and acceptances thereof between the parties or their representatives, whether oral or written, are deemed to have been integrated into and superseded by this Lease and are of no further force and effect except as expressly provided in this Lease. No amendment or modification hereof shall be effective for any purpose unless in writing signed by Landlord and Tenant.

18.4.13 Time is of the Essence; Calculation of Time Periods. Time is of the essence for each condition, term, obligation and provision of this Agreement. Unless otherwise specified, in computing any period of time described in this Agreement, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is not a business day, in which event the period shall run until the next business day. The final day of any such period shall be deemed to end at 5:00 p.m., local time at the Property. For purposes of this Agreement, a "business day" means a day that is not a Saturday, Sunday, a federal holiday or a state holiday under the laws of California.

18.4.14 Survival. The following provisions shall survive the expiration or termination of this Lease: all representations made by Tenant hereunder, Tenant's release of Landlord pursuant to Section 2.6, Tenant's indemnification and defense obligations hereunder and all other provisions of this Lease which state that they shall survive the expiration or termination of this Lease.

18.4.15 Headings; Interpretation. The section headings and captions used herein are solely for convenience and shall not be used to interpret this Agreement. The Parties acknowledge that this Agreement is the product of negotiation and compromise on the part of both Parties, and the Parties agree, that since both Parties have participated in the negotiation and

drafting of this Agreement, this Agreement shall not be construed as if prepared by one of the Parties, but rather according to its fair meaning as a whole, as if both Parties had prepared it.

18.4.16 Counterparts. This Lease may be executed in one or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

18.4.17 Action by the Landlord. Except as may be otherwise specifically provided herein, whenever any approval, notice, direction, consent or request by the Landlord is required or permitted under this Lease, such action shall be in writing, and such action may be given, made or taken by the City Manager or by any person who shall have been designated by the City Manager, without further approval by the governing board of the Landlord.

18.5.18 Books and Records; Inspection of Books and Records. Tenant shall keep and maintain at the Project, or elsewhere with City's written consent, full, complete, and accurate books, records, and accounts relating to the Project, including such books, records, and accounts necessary to document Developer's compliance with this Lease and prevailing wage laws. Upon request, Tenant shall permit the Landlord to inspect those books, records and all other documents of Tenant necessary to determine Tenant's compliance with the terms of this Agreement.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, Landlord and Tenant have entered into this Lease as of the Effective Date.

LANDLORD:

CITY OF HAWTHORNE,
a municipal corporation

By: _____
_____, City Manager

Attest:

_____, City Clerk

TENANT:

DRAFT

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

The land in the County of Los Angeles, State of California, described as follows:

THE SOUTHERLY 24 FEET OF LOT 308 OF DIVISION "B" AND LOT 309 OF DIVISION "B", EXCEPT THE SOUTHERLY 20 FEET OF SAID LOT 309, BOTH OF TRACT NO. 874, IN THE CITY OF HAWTHORNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 17 PAGES 110 AND 111](#) OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SAID DESCRIPTION IS MADE PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT/CERTIFICATE OF COMPLIANCE RECORDED MAY 5, 2010 AS [INSTRUMENT NO. 20100643861 OF OFFICIAL RECORDS](#).

[Assessor's Parcel Number: 4051-030-902](#)

EXHIBIT B

FORM OF MEMORANDUM OF LEASE

DRAFT

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
City of Hawthorne)
4455 W. 126th Street)
Hawthorne, CA 90250)
Attn: City Clerk)
)

With a copy to:

The document is exempt from the payment of a recording fee pursuant to Government Code § 27383.

MEMORANDUM OF GROUND LEASE

THE UNDERSIGNED DECLARE:

Documentary Transfer Tax is \$0.00; City Transfer Tax is \$0.00.

[Conveyance for no consideration (long term lease with no rent).][DISCUSS]

THIS MEMORANDUM OF GROUND LEASE (“**Memorandum**”), dated for identification purposes as of _____, 202__, is entered into by and between the CITY OF HAWTHORNE, a municipal corporation (“**City**”), and _____, L.P., a California limited partnership (“**Developer**”).

Pursuant to that certain Ground Lease dated _____, 202__ (the "Lease"), Landlord hereby leases to Tenant and Tenant leases from Landlord certain real property situated in the City of Hawthorne, California, more specifically described on Exhibit A attached hereto (the "Site").

The term of the Lease commences as of the date of the Lease, and shall continue until the date that is fifty-five (55) years, unless sooner terminated pursuant to the terms of the Lease.

All of the terms of the Lease are hereby incorporated herein by reference.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Lease, of which this is a memorandum.

LANDLORD:

CITY OF HAWTHORNE,
a municipal corporation

By: _____
_____, City Manager

Attest:

_____, City Clerk

TENANT:

[notary acknowledgments required]

EXHIBIT A

LEGAL DESCRIPTION

The land in the County of Los Angeles, State of California, described as follows:

THE SOUTHERLY 24 FEET OF LOT 308 OF DIVISION "B" AND LOT 309 OF DIVISION "B", EXCEPT THE SOUTHERLY 20 FEET OF SAID LOT 309, BOTH OF TRACT NO. 874, IN THE CITY OF HAWTHORNE, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN [BOOK 17 PAGES 110 AND 111 OF MAPS](#), IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

SAID DESCRIPTION IS MADE PURSUANT TO THAT CERTAIN LOT LINE ADJUSTMENT/CERTIFICATE OF COMPLIANCE RECORDED MAY 5, 2010 AS [INSTRUMENT NO. 20100643861 OF OFFICIAL RECORDS](#).

[Assessor's Parcel Number: 4051-030-902](#)

DRAFT

Exhibit H

PRELIMINARY FINANCING PLAN

(To be added.)

DRAFT