

# AGENDA

## BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Annual/Special Meeting  
Thursday, March 28, 2019  
5:30 p.m.

**Closed session immediately following**

Housing Authority of the County of Merced  
Administration Building  
405 "U" Street  
Board Room – Building B (Second Floor)  
Merced, CA 95341  
(209) 386-4139

Margaret Pia, Chairperson  
Jack Jackson, Vice-Chair  
Evelyn Dorsey  
Rick Osorio  
Jose Resendez  
Rachel Torres  
Hub Walsh

**All persons requesting disability related modifications or accommodations may contact the Housing Authority of the County of Merced at (209) 386-4139, 72 hours prior to the public meeting.**

All supporting documentation is available for public review in the office of the Administrative Assistant located in the Housing Authority Administration Building, Second Floor, 405 "U" Street, Merced, CA 95341 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday.

The Agenda is available online at [www.merced-pha.com](http://www.merced-pha.com)

**Use of cell phones, pagers, and other communication devices is prohibited while the Board Meeting is in session. Please turn all devices off or place on silent alert and leave the room to use.**

**I. CALL TO ORDER AND ROLL**

**II. COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA**

(M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

**III. NOMINATION and ELECTION OF BOARD OF COMMISSIONER OFFICERS  
(Chairperson and Vice Chairperson):**

A. Nomination of Chairperson (M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

B. Election of Chairperson (M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

C. Nomination of Vice Chairperson (M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_

D. Election of Vice Chairperson (M/S/C): \_\_\_\_/\_\_\_\_/\_\_\_\_



**IV. APPROVAL OF THE FOLLOWING MEETING MINUTES:**

A. February 19, 2019 Regular Meeting (M/S/C): \_\_\_/\_\_\_/\_\_\_

**V. UNSCHEDULED ORAL COMMUNICATION**

**NOTICE TO THE PUBLIC**

This portion of the meeting is set aside for members of the public to comment on any item within the jurisdiction of the Commission, but not appearing on the agenda. Items presented under public comment may not be discussed or acted upon by the Commission at this time.

For items appearing on the agenda, the public is invited to comment at the time the item is called for consideration by the Commission. Any person addressing the Commission under Public Comment will be limited to a 5-minute presentation.

All persons addressing the Commission are requested to state their name and address for the record.

**VI. CONSENT CALENDAR:**

- A. Rent Delinquency Report for February 2019
- B. Track Summary Report for February 2019
- C. Financial Reports for February 2019

(M/S/C): \_\_\_/\_\_\_/\_\_\_

**VII. BUSINESS (INFORMATION AND DISCUSSION, RESOLUTION and ACTION ITEMS):**

A. Information/Discussion Item(s):

- 1.) Director’s Updates
  - i. Unsheltered Persons Count

B. Resolution Item(s):

- 1.) **Resolution No. 2019-03:** Authorizing the issuance and delivery of a secured Housing Bond, Authorizing the execution and delivery of a deed of trust, and approving other related documents and actions in connection therewith.

(M/S/C): \_\_\_/\_\_\_/\_\_\_

- 2.) **Resolution No. 2019-04:** Approving awarding contract for Landscape Maintenance to Green Horizon, Inc.

(M/S/C): \_\_\_/\_\_\_/\_\_\_

C. Action Item(s):

None

**VIII. COMMISSIONER’S COMMENTS**

**IX. CLOSED SESSION ITEM(S):**

None

**X. ADJOURNMENT**



# MINUTES

## BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

### Regular Meeting Tuesday, February 19, 2019

- I. The meeting was called to order by Chairperson Pia at 12:04 p.m. and the Secretary was instructed to call the roll.

**Commissioners Present:**

Margaret Pia, Chairperson  
Jack Jackson, Vice Chairperson  
Evelyne Dorsey  
Rick Osorio  
Jose Resendez  
Rachel Torres  
Hub Walsh

**Commissioners Absent:**

None

Chairperson Pia declared there was a quorum present.

**Staff Present:**

Rosa Vazquez, Executive Director/Board Secretary  
Dave Ritchie, Legal Counsel  
Blanca Arrate, Director of Housing Programs  
Cliff Hatanaka, Finance Officer  
Maria F. Alvarado, Executive Assistant  
Tracy Jackson, Director of Housing Programs  
Sue Speer, Director of Development

**Others Present:**

None

- II. **COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA:**

None

(M/S/C): Commissioner Jackson/Commissioner Walsh/passed unanimously

- III. **APPROVAL OF THE FOLLOWING MEETING MINUTES:**

A. December 18, 2018 Special Meeting

(M/S/C): Commissioner Walsh/Commissioner Jackson/passed unanimously



**IV. UNSCHEDULED ORAL COMMUNICATION:**

None

**V. CONSENT CALENDAR:**

A. PHAS Report for January 2019

B. Aged Receivables Report for January 2019

C. Financial Reports for January 2019

(M/S/C): Commissioner Walsh/Commissioner Torres/passed unanimously

**VI. BUSINESS (INFORMATION AND DISCUSSION, RESOLUTION and ACTION ITEMS):**

A. Information/discussion Item(s):

1.) Directors Updates:

- a. Executive Director Vazquez informed the Board that four staff members participated in the 2019 Unsheltered Persons Count. Count numbers will be presented to the Board once they are in.
- b. Executive Director Vazquez notified the Board that the Housing Choice Voucher Program received High Performer and presented the certificate to the Board.
- c. The Board was informed that the Authority received notification that funding through the end of March has been allocated and further funding is pending budget approval.

B. Resolutions Item(s):

1.) **Resolution No. 2019-01:** Approving a temporary appointment for the position of Interim Finance Officer.

**(M/S/C):** Commissioner Osorio/Commissioner Dorsey/passed

2.) **Resolution No. 2019-02:** Approving amended joint powers agreement creating the California Housing Worker's Compensation Authority (CHWCA).

**(M/S/C):** Commissioner Jackson/Commissioner Dorsey/passed

C. Action Item(s):

None

**VII. COMMISSIONER'S COMMENTS**

The Board welcomed Mr. Hatanaka and congratulated the Authority on it's High Performer status.



**VIII. CLOSED SESSION ITEM(S):**

None

**IX. ADJOURNMENT**

There being no further business to discuss, the meeting was adjourned at 12:37 p.m.

\_\_\_\_\_  
Chairperson Signature / Date

\_\_\_\_\_  
Secretary Signature/ Date



# Housing Authority of the County of Merced

## MEMORANDUM

**TO:** Board of Commissioners,  
Housing Authority of the County of Merced

**FROM:** Rosa Vazquez, Executive Director

**DATE:** March 28, 2019

**SUBJECT: Election of Officers for the positions of Chairperson and Vice-Chairperson**

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Bylaws of the Housing Authority of the County of Merced

**Article II Section 2:** The Chairperson shall preside at all meetings of the Housing Authority of the County of Merced (“Authority”). At every Board of Commissioners meeting, the Chairperson shall submit such recommendations and information necessary and proper concerning the business, affairs and policies of the Authority. The Chairperson maintains and promotes a cooperative and collaborative working relationship with and among other Board members, Authority staff and management, and represents the Authority in a professional manner with those encountered in the regular conduct and performance of his/her official duties.

**Article II Section 3:** The Vice Chairperson shall perform the duties of the Chairperson in the absence or incapacity of the Chairperson. In case of the resignation or death of the Chairperson, the Vice Chairperson shall perform such duties as are imposed on the Chairperson until such time as the Authority shall select a new Chairperson.

**Article II Section 7:** The Chairperson and Vice Chairperson shall be elected at the annual meeting of the Board from among the Commissioners, and shall hold office for one year or until their successors are elected, whichever occurs later.

### Current Nomination Process

- Take nominations at meeting
- Does Vice-Chairperson want to be considered?
- If one nomination received
  - o Vote takes place
  - o It does not need to be a secret ballot
  - o It can be open vote by show of hands
- If more than one nomination
  - o Vote can be by secret ballot
  - o If it's a tie they may vote again
  - o If it remains a tie – Draw
- Announce duly elected Chairperson of the Board
- The newly elected Chairperson takes over for election of Vice-Chairperson

## PHAS Tracking Summary Fiscal Year Ending 09/30/19

Indicators	Estimated Status at End of Month												
Sub-Indicator #1	Performance Scoring	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Lease Up Days		3	15	23	33	47							
Average Lease Up Days		1.5	2	2	3	3							
Make Ready Time		339	477	580	662	785							
Average Make Ready Days		169.5	68	58	55	49							
Down Days		2	77	94	119	218							
Average Down Days		1	11	9	10	14							
Total # Vacant Units Turned		2	7	10	12	16							
Total # Turn Around Days		344	569	697	814	1050							
Average Turn Around Days (To Date)	A = 0-20 B = 21-25 C = 26-30 D = 31-40 F = more than 50	172	81	70	68	66							

% Emergency Work Orders Abated W/in 24 hours	A = 99% B=98% C=97% D=96% E=95% F= less than 95%	100%	100%	100%	100%	100%							
Average # days to complete Non-Emergency Work Orders	A = 25 days or less B=26-36 C=31-40 D=41-50 E=51-60 F= greater than 60	12	12	12	9	9							

**Housing Authority of the County of Merced  
Public Housing - Amp 1  
Budget Comparison  
Period = October 2018 - January 2019**

	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>	<b>% Var</b>	<b>Annual Budget</b>
<b>INCOME</b>					
NET TENANT INCOME	237,416	242,040	-4,624	-1.91	726,120
TOTAL GRANT INCOME (1)	147,149	178,000	-30,851	-17.33	534,000
TOTAL OTHER INCOME	0	200	-200	-100.00	600
<b>TOTAL INCOME</b>	<b>384,565</b>	<b>420,240</b>	<b>-35,675</b>	<b>-8.49</b>	<b>1,260,720</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES	129,184	129,099	-85	-0.07	387,297
TOTAL TENANT SERVICES EXPENSES	2,622	225	-2,397	-1,065.50	675
TOTAL UTILITY EXPENSES (2)	48,436	63,125	14,689	23.27	189,374
TOTAL MAINTENACE EXPENSES	117,102	122,884	5,783	4.71	368,653
TOTAL GENERAL EXPENSES	38,904	42,616	3,713	8.71	127,849
TOTAL HOUSING ASSISTANCE PAYMENTS	449	800	351	43.88	2,400
TOTAL NON-OPERATING ITEMS	42,433	42,433	0	0.00	127,298
<b>TOTAL EXPENSES</b>	<b>379,129</b>	<b>401,182</b>	<b>22,053</b>	<b>5.50</b>	<b>1,203,546</b>
<b>NET INCOME</b>	<b>5,436</b>	<b>19,058</b>	<b>-13,622</b>	<b>-71.47</b>	<b>57,174</b>

- (1) Operating subsidy has been delayed by HUD and delays in issuing authorization of HACM personnel has delayed drawing down funds.  
(2) One month of Water, Garbage and Sewer at Merced not recorded.

**Housing Authority of the County of Merced  
Public Housing - Amp 2  
Budget Comparison  
Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
NET TENANT INCOME (1)	275,168	195,607	79,561	40.67	586,820
TOTAL GRANT INCOME (2)	79,968	93,333	-13,365	-14.32	280,000
TOTAL OTHER INCOME (1)	78,859	0	78,859	N/A	0
<b>TOTAL INCOME</b>	<b>433,995</b>	<b>288,940</b>	<b>145,055</b>	<b>50.20</b>	<b>866,820</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES	72,145	87,895	15,750	17.92	263,684
TOTAL TENANT SERVICES EXPENSES	1,819	0	-1,819	N/A	0
TOTAL UTILITY EXPENSES	52,835	60,533	7,698	12.72	181,600
TOTAL MAINTENACE EXPENSES (3)	103,419	89,523	-13,896	-15.52	268,570
TOTAL GENERAL EXPENSES	26,713	26,833	120	0.45	80,499
TOTAL HOUSING ASSISTANCE PAYMENTS	87	300	213	71.00	900
TOTAL NON-OPERATING ITEMS	23,791	23,791	0	0.00	71,372
<b>TOTAL EXPENSES</b>	<b>280,810</b>	<b>288,875</b>	<b>8,065</b>	<b>2.79</b>	<b>866,625</b>
<b>NET INCOME</b>	<b>153,185</b>	<b>65</b>	<b>153,120</b>	<b>236,005.47</b>	<b>195</b>

(1a) Charge to tenant for damage caused by fire. This credit will be offset by costs to repair damages.

(1b) Received funds from insurance to cover fire. This is a duplicate of item 1a. Only one item should be recognized.

(2) Operating subsidy has been delayed by HUD and delays in issuing authorization of HACM personnel has delayed drawing down funds.

(3) Abatement work on asbestos at Livingston and Atwater.

**Housing Authority of the County of Merced  
Public Housing - Amp 3  
Budget Comparison  
Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
NET TENANT INCOME	187,293	190,500	(3,207)	(1.68)	571,500
TOTAL GRANT INCOME (1)	99,510	124,000	(24,490)	(19.75)	372,000
<b>TOTAL INCOME</b>	<b>286,803</b>	<b>314,500</b>	<b>(27,697)</b>	<b>(8.81)</b>	<b>943,500</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES	77,195	105,431	28,236	26.78	316,293
TOTAL TENANT SERVICES EXPENSES	2,219	-	(2,219)	N/A	-
TOTAL UTILITY EXPENSES	43,355	48,927	5,572	11.39	146,780
TOTAL MAINTENANCE EXPENSES (2)	95,642	105,177	9,534	9.06	315,530
TOTAL GENERAL EXPENSES	28,540	29,503	963	3.26	88,508
TOTAL HOUSING ASSISTANCE PAYMENTS	287	400	113	28.25	1,200
TOTAL NON-OPERATING ITEMS	19,475	19,475	-	-	58,425
<b>TOTAL EXPENSES</b>	<b>266,713</b>	<b>308,912</b>	<b>42,199</b>	<b>13.66</b>	<b>926,736</b>
<b>NET INCOME</b>	<b>20,090</b>	<b>5,588</b>	<b>14,502</b>	<b>259.53</b>	<b>16,764</b>

- (1) Operating subsidy has been delayed by HUD and delays in issuing authorization of HACM personnel has delayed drawing down funds.  
(2) Overall Contract Expenses lower.

**Housing Authority of the County of Merced  
Public Housing - Amp 4  
Budget Comparison  
Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
NET TENANT INCOME	4,247	5,200	(953)	-18.33	15,600
TOTAL GRANT INCOME	9,656	6,667	2,989	44.83	20,000
<b>TOTAL INCOME</b>	<b>13,903</b>	<b>11,867</b>	<b>2,036</b>	<b>17.16</b>	<b>35,600</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES	3,331	2,969	(362)	-12.20	8,906
TOTAL TENANT SERVICES EXPENSES	0	-	(0)	N/A	0
TOTAL UTILITY EXPENSES	1,506	2,020	514	25.43	6,060
TOTAL MAINTENANCE EXPENSES	2,182	2,345	163	6.95	7,035
TOTAL GENERAL EXPENSES	1,082	1,140	58	5.06	3,420
TOTAL HOUSING ASSISTANCE PAYMENTS	-	20	20	100.00	60
TOTAL NON-OPERATING ITEMS	15,919	15,919	-	0.00	47,757
<b>TOTAL EXPENSES</b>	<b>24,021</b>	<b>24,413</b>	<b>392</b>	<b>1.61</b>	<b>73,238</b>
<b>NET INCOME</b>	<b>(10,118)</b>	<b>(12,546)</b>	<b>2,428</b>	<b>-19.35</b>	<b>-37,638</b>

**Housing Authority of the County of Merced  
Housing Choice Vouchers  
Budget Comparison  
Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
TOTAL GRANT INCOME (1)	5,982,559	6,398,000	-415,441	-6.49	19,194,000
TOTAL OTHER INCOME	172	1,600	-1,428	-89.26	4,800
<b>TOTAL INCOME</b>	<b>5,982,731</b>	<b>6,399,600</b>	<b>-416,869</b>	<b>-6.51</b>	<b>19,198,800</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES (2)	469,374	527,880	58,506	11.08	1,583,640
TOTAL TENANT SERVICES EXPENSES	1,331	0	-1,331	N/A	0
TOTAL MAINTENACE EXPENSES (3)	1,516	37,450	35,934	95.95	112,350
TOTAL GENERAL EXPENSES	23,503	24,270	767	3.16	72,810
TOTAL HOUSING ASSISTANCE PAYMENTS (4)	5,473,553	5,810,000	336,447	5.79	17,430,000
<b>TOTAL EXPENSES</b>	<b>5,969,277</b>	<b>6,399,600</b>	<b>430,323</b>	<b>6.72</b>	<b>19,198,800</b>
<b>NET INCOME</b>	<b>13,454</b>	<b>0</b>	<b>13,454</b>	<b>N/A</b>	<b>0</b>

(1) Lower HAP Funding from HUD.

(2) Software Fees not yet received from vendor. Management Fees lower based number of HAP contracts.

(3) Lower Contract - Inspections.

(4) Lower payments for HAP contracts.

**Housing Authority of the County of Merced  
Central Office Cost Center (cocc)  
Budget Comparison  
Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
Management Fee Income	239,781	241,150	(1,369)	-0.57	723,450
Asset Management Fee (1)	-	16,707	(16,707)	-100.00	50,120
Bookkeeping Fees	84,986	89,725	(4,739)	-5.28	269,175
Admin Fee Income (2)	-	33,511	(33,511)	-100.00	100,532
<b>TOTAL INCOME</b>	<b>324,767</b>	<b>381,092</b>	<b>(56,325)</b>	<b>-14.78</b>	<b>1,143,277</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES	306,184	316,908	10,724	3.38	950,723
TOTAL TENANT SERVICES EXPENSES	177	-	(177)	N/A	-
TOTAL UTILITY EXPENSES	10,231	12,967	2,736	21.10	38,900
TOTAL MAINTENACE EXPENSES	23,991	25,490	1,499	5.88	76,470
TOTAL GENERAL EXPENSES	22,457	23,917	1,460	6.10	71,750
<b>TOTAL EXPENSES</b>	<b>363,040</b>	<b>379,281</b>	<b>16,241</b>	<b>4.28</b>	<b>1,137,843</b>
<b>NET INCOME</b>	<b>(38,273)</b>	<b>1,811</b>	<b>(40,084)</b>	<b>N/A</b>	<b>5,434</b>

(1) Asset Management Fee contingent on cash availability at end of year. This fee is assessed at end of year, if available.

(2) Admin Fee Income is tied to Capital Funds. It is drawn from Capital Funds.

**Housing Authority of the County of Merced  
Langdon Villas (langdon)  
Budget Comparison  
Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
NET TENANT INCOME	15,400	15,400	-	0.00	46,200
Investment Income - Unrestricted	8,815	8,000	815	10.19	24,000
Management Fees	73,773	71,959	1,814		215,876
Miscellaneous Other Income (1)	15,588	-	15,588	N/A	0
Misc income - retiree	4,240	3,600	640	17.78	10,800
<b>TOTAL INCOME</b>	<b>117,816</b>	<b>98,959</b>	<b>18,857</b>	<b>19.06</b>	<b>296,876</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES (3)	33,776	24,577	(9,199)	-37.43	73,731
TOTAL UTILITY EXPENSES	464	533	69	12.98	1,600
TOTAL MAINTENANCE EXPENSES (2)	12,556	1,467	(11,089)	-756.09	4,400
TOTAL GENERAL EXPENSES	15,190	16,133	943	5.85	48,400
TOTAL NON-OPERATING ITEMS	1,146	1,146	-	0.00	3,439
<b>TOTAL EXPENSES</b>	<b>63,132</b>	<b>43,857</b>	<b>(19,276)</b>	<b>-43.95</b>	<b>131,570</b>
<b>NET INCOME</b>	<b>54,683</b>	<b>55,102</b>	<b>(419)</b>	<b>-0.76</b>	<b>165,306</b>

(1) Includes Bond Proceeds

(2) Contract work including Landscaping and Vehicle Maintenance

(3) Bond Fees approximately \$20,000

**Housing Authority of the County of Merced**  
**Obanion Learning Center (obanion)**  
**Budget Comparison**  
**Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
3000-00-000 INCOME					
3119-00-000 Total Rental Income	46,709	46,700	9	0.02	140,100
3129-00-000 Total Other Tenant Income	28,046	15,767	12,279	77.88	47,300
3999-00-000 TOTAL INCOME	74,755	62,467	12,288	19.67	187,400
4000-00-000 EXPENSES					
4199-00-000 TOTAL ADMINISTRATIVE EXPENSES	7,728	6,717	(1,011)	-15.05	20,150
4399-00-000 TOTAL UTILITY EXPENSES	20,112	22,447	2,335	10.40	67,340
4499-00-000 TOTAL MAINTENACE EXPENSES	11,684	12,253	570	4.65	36,760
4599-00-000 TOTAL GENERAL EXPENSES	556	440	(116)	-26.36	1,320
5999-00-000 TOTAL NON-OPERATING ITEMS	17,933	17,933	-	0.00	53,800
8000-00-000 TOTAL EXPENSES	58,013	59,790	1,777	2.97	179,370
9000-00-000 NET INCOME	16,742	2,677	14,066	1,195.49	8,030

**Housing Authority of the County of San Joaquin**  
**Felix Torres Year Round (.fs-ft)**  
**Budget Comparison**  
**Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
3000-00-000 INCOME					
3199-00-000 NET TENANT INCOME	190,733	176,200	14,533	8.25	528,600
3699-00-000 TOTAL OTHER INCOME	9	-	9	N/A	-
3999-00-000 TOTAL INCOME	190,742	176,200	14,542	8.25	528,600
4000-00-000 EXPENSES					
4199-00-000 TOTAL ADMINISTRATIVE EXPENSES	18,973	32,993	14,020	42.49	98,979
4399-00-000 TOTAL UTILITY EXPENSES	19,347	31,297	11,951	38.18	93,892
4499-00-000 TOTAL MAINTENACE EXPENSES	30,617	26,519	(4,098)	-15.45	79,556
4599-00-000 TOTAL GENERAL EXPENSES	4,653	6,937	2,284	32.92	20,810
4899-00-000 TOTAL FINANCING EXPENSES	37,676	11,000	(26,676)	-242.51	33,000
5999-00-000 TOTAL NON-OPERATING ITEMS	66,597	66,597	-	0.00	199,791
8000-00-000 TOTAL EXPENSES	177,862	175,343	(2,520)	-1.44	526,029
9000-00-000 NET INCOME	12,879	857	12,022	1,402.61	2,571

**Housing Authority of the County of Merced  
Financial Stmt - Valley View (.fs-vv)  
Budget Comparison  
Period = October 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
Total Rental Income	180,268	182,000	(1,732)	-0.95	546,000
Total Other Tenant Income	5,202	5,000	202	4.03	15,000
<b>TOTAL INCOME</b>	<b>185,470</b>	<b>187,000</b>	<b>(1,530)</b>	<b>-0.82</b>	<b>561,000</b>
<b>EXPENSES</b>					
TOTAL ADMINISTRATIVE EXPENSES	42,611	49,496	6,885	13.91	148,487
TOTAL UTILITY EXPENSES	26,335	34,173	7,838	22.94	102,520
TOTAL MAINTENANCE EXPENSES	52,698	49,220	(3,478)	-7.07	147,661
TOTAL GENERAL EXPENSES	7,489	7,581	92	1.22	22,744
TOTAL FINANCING EXPENSES	54,167	54,167	-	0.00	162,500
TOTAL NON-OPERATING ITEMS	13,506	13,506	-	0.00	40,519
<b>TOTAL EXPENSES</b>	<b>196,806</b>	<b>208,144</b>	<b>11,338</b>	<b>5.45</b>	<b>624,431</b>
<b>NET INCOME</b>	<b>(11,336)</b>	<b>(21,144)</b>	<b>9,807</b>	<b>-46.38</b>	<b>(63,431)</b>

**Housing Authority of the County of Merced**  
**Property = Migrant Centers**  
**Budget Comparison**  
**Period = July 2018 - January 2019**

	YTD Actual	YTD Budget	Variance	% Var	Annual
<b>INCOME</b>					
OMS Operating	710,500	656,860	-53,639	-8.17	1,126,046
<b>TOTAL INCOME</b>	<b>710,500</b>	<b>656,860</b>	<b>-53,639</b>	<b>-8.17</b>	<b>1,126,046</b>
<b>EXPENSES</b>					
Total - Center Personnel	362,748	311,115	-51,633	-16.60	533,339
Total - Operating Expenses	218,947	176,890	-42,057	-23.78	303,239
Total - Maintenance Expenses	25,860	16,882	-8,978	-53.18	28,940
Total - Contractor Administration	61,502	64,240	2,738	4.26	110,126
Total - Debt Service and Replacement	41,443	87,735	46,291	52.76	150,402
<b>TOTAL EXPENSES</b>	<b>710,500</b>	<b>656,860</b>	<b>-53,639</b>	<b>-8.17</b>	<b>1,126,046</b>
PLUS RESERVES ALLOWED		51,038	51,038		87,494
<b>TOTAL FUNDS</b>	<b>710,500</b>	<b>707,899</b>	<b>-2,601</b>	<b>-0.37</b>	<b>1,213,540</b>

## Aged Receivables Report as of 2-28/2019

Property	0 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total Unpaid Charges	Prepayments	Balance
<b>AMP 1</b>							
ca023001 PH - Merced	4,762.46	843.06	1,161.00	22.45	6,788.97	(4,277.31)	2,511.66
ca023010 PH - Merced	1,983.61	353.00	115.00	1,005.26	3,456.87	(4,567.25)	(1,110.38)
ca023013 PH - Merced Sr	855.60	10.00	10.00	979.91	1,855.51	(1,837.48)	18.03
ca023021 PH - Acquisition	-	-	-	(14.48)	(14.48)	-	(14.48)
ca023023 PH - Acquisition	-	-	-	(20.00)	(20.00)	(126.00)	(146.00)
<b>AMP 1 TOTALS</b>	<b>7,601.67</b>	<b>1,206.06</b>	<b>1,286.00</b>	<b>1,973.14</b>	<b>12,066.87</b>	<b>(10,808.04)</b>	<b>1,258.83</b>
<b>AMP 2</b>							
ca023003 PH - Atwater - Cameo	1,048.00	123.37	-	-	1,171.37	(1,322.47)	(151.10)
ca023006 PH - Livingston	2,624.37	1,438.00	726.38	159.87	4,948.62	(3,439.71)	1,508.91
012a PH - Atwater	1,106.33	25.00	-	-	1,131.33	(1,645.70)	(514.37)
012b PH - Winton	108.00	-	-	(301.00)	(193.00)	(1,180.75)	(1,373.75)
<b>AMP 2 TOTALS</b>	<b>4,886.70</b>	<b>1,586.37</b>	<b>726.38</b>	<b>(141.13)</b>	<b>7,058.32</b>	<b>(7,588.63)</b>	<b>(530.31)</b>
<b>AMP 3</b>							
ca023002 PH - Los Banos	1,952.50	679.00	-	(519.13)	2,112.37	(2,629.66)	(517.29)
ca023004 PH - Los Banos - Abby, B, C & D	4,293.66	192.00	518.00	930.10	5,933.76	(3,797.48)	2,136.28
ca023005 PH - Dos Palos - West Globe	1,175.09	155.00	(162.79)	(57.92)	1,109.38	(1,234.46)	(125.08)
ca023011 PH - Los Banos - J & K St	986.00	478.00	478.00	2,380.00	4,322.00	(693.84)	3,628.16
012c PH - Dos Palos - Alleyne	1,360.95	872.00	872.00	1,744.00	4,848.95	(516.69)	4,332.26
012d PH - Dos Palos - Globe	53.00	70.00	(478.00)	45.00	(310.00)	(527.61)	(837.61)
<b>AMP 3 TOTALS</b>	<b>9,821.20</b>	<b>2,446.00</b>	<b>1,227.21</b>	<b>4,522.05</b>	<b>18,016.46</b>	<b>(9,399.74)</b>	<b>8,616.72</b>
<b>AMP 4</b>							
ca023024 PH - 1st Street	288.50	-	-	-	288.50	(142.00)	146.50
<b>AMP 4 TOTALS</b>	<b>288.50</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288.50</b>	<b>(142.00)</b>	<b>146.50</b>
<b>VALLEY VIEW</b>							
atw Atwater Elderly	1,396.00	281.00	216.00	2,552.00	4,445.00	(4,633.00)	(188.00)
dp Dos Palos Elderly	726.00	10.00	-	(33.00)	703.00	(2,716.00)	(2,013.00)
mid Midway	4,517.75	1,126.43	1,254.00	(1,215.49)	5,682.69	(4,169.23)	1,513.46
<b>VALLEY VIEW TOTALS</b>	<b>6,639.75</b>	<b>1,417.43</b>	<b>1,470.00</b>	<b>1,303.51</b>	<b>10,830.69</b>	<b>(11,518.23)</b>	<b>(687.54)</b>
<b>FELIX TORRES YEAR ROUND</b>							
ft-yr Felix Torres Year Round Center	1,038.00	865.00	28,798.00	2,799.00	33,500.00	(3,885.02)	29,614.98
<b>FELIX TORRES YEAR ROUND TOTALS</b>	<b>1,038.00</b>	<b>865.00</b>	<b>28,798.00</b>	<b>2,799.00</b>	<b>33,500.00</b>	<b>(3,885.02)</b>	<b>29,614.98</b>
<b>HOUSING AUTHORITY TOTALS</b>	<b>30,275.82</b>	<b>7,520.86</b>	<b>33,507.59</b>	<b>10,456.57</b>	<b>81,760.84</b>	<b>(43,341.66)</b>	<b>38,419.18</b>

## STAFF REPORT

**TO:** Board of Commissioners  
Housing Authority of the County of Merced

**FROM:** Rosa Vazquez, Executive Director

**DATE:** March 28, 2019

**SUBJECT:** Recommendation to adopt **Resolution No. 2019–03**, Authorizing and Directing Actions in connection with the refinancing of Outstanding Debt Obligations

The Housing Authority borrowed funds in 2003 and in 2007 from the California Affordable Housing Agency to refinance Housing Authority rental housing projects in Midway - Dos Palos (34 units), in O'Banion Terrace – Dos Palos (25 units), in Sierra Vista - Atwater (14 units) and in Oak Terrace - Merced (65 units). Under current debt market conditions, the loans can be refinanced at this time by the Housing Authority by means of the issuance of refunding bonds by the Housing Authority resulting in substantial debt service savings.

The Housing Authority's Municipal Advisor, Wulff, Hansen & Co. has recommended that the Housing Authority issue refunding bonds in order for the Housing Authority to realize the possible savings that would result from a refinancing of the 2003 and the 2007 loans. The Housing Authority may decide to generate new Project Funds for rehabilitation and/or development of rental housing units as part of the refinancing process.

### **FISCAL IMPACT**

The following good faith estimates are provided in accordance with Section 5852.1 of the California Government Code:

- A) The true interest cost of the Certificates: 4.39%
- B) The sources and uses of funds:

<b>SOURCES:</b>	
Principal	\$ 7,360,000
Prior Funds on hand	973,597
<b>Total Sources</b>	<b>\$ 8,333,597</b>
<b>USES:</b>	
Cost of Defeasance	\$ 5,354,659
Project Fund	2,674,000
Costs of Issuance*	303,300
Additional Proceeds	1,638
<b>Total Uses</b>	<b>\$ 8,331,959</b>

\*The finance charge of the bonds (the use of all fees and charges paid to third parties).

- C) The total of all payments on the 2019 Bonds is estimated to be \$12,168,546.

- D) Current reserves for replacements held in the 2003A and 2007B Bonds in the amounts of \$227,731.54 and \$146,711.64, respectively, and totaling \$374,443.18 will be released to the Authority, in addition to new Project Funds shown above.

The principal amount of the Bonds, the true interest cost of the Bonds, the costs of issuance, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Housing Authority's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates with respect to the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Housing Authority.

The total estimated Cost of Issuance, which is the finance charge of the bonds (the use of all fees and charges paid to third parties) is subject to change until the Bonds are priced, is estimated at \$303,300. All fees are contingent on the sale and closing of the Bonds.

<b>Cost of Issuance - Housing Authority of the County of Merced</b>		
<b>Cost of Issuance</b>	<b>Amount</b>	<b>% of Total Cost of Issuance</b>
Issuance Expenses		
Bond Counsel - Quint & Thimmig	48,400	15.96%
Municipal Advisor - Wulff, Hansen & Co.	83,000	27.37%
Placement Agent - Brandis Tallman	35,000	11.54%
Housing Authority Counsel	10,000	3.30%
Escrow	10,000	3.30%
Verification	2,500	0.82%
Investor Counsel	5,000	1.65%
Title Report	10,000	3.30%
Miscellaneous	35,000	11.54%
Subtotal	238,900	78.77%
Lender Fees		
Loan Fee	55,200	18.20%
Rate Lock Fee	9,200	3.03%
Subtotal	64,400	21.23%
<b>Total Cost of Issuance</b>	<b>303,300</b>	<b>100.00%</b>

**THE RESOLUTION**

The proposed Resolution approves the required loan documents and authorizes staff and Housing Authority Consultants to conclude the refinancing with sale of the refinancing bonds to F&M Bank.

**RECOMMENDATION**

I recommend that the Board of Commissioners of the Housing Authority of the County of Merced adopt **Resolution No. 2019-03**, Approving the loan documents, Authorizing and Directing Actions in Connection with the Refinancing of the 2003 & 2007 Bonds.

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

**HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MORTGAGE SECURED HOUSING BOND  
(POOLED FINANCING), SERIES 2019A**

INTEREST RATE:	MATURITY DATE:	ISSUE DATE:
4.35%	August 1, 2044	April 4, 2019

OWNER: FARMERS & MERCHANTS BANK OF CENTRAL CALIFORNIA

PRINCIPAL SUM: \_\_\_\_\_ DOLLARS

HOUSING AUTHORITY OF THE COUNTY OF MERCED, a housing authority organized and existing under the Constitution and laws of the State of California (the "Authority"), for value received, hereby promises to pay to the owner identified above (the "Owner"), in lawful money of the United States of America, substantially level monthly payments of principal of and interest hereon on the first day of each month commencing May 1, 2019 to and including the Maturity Date identified above or date of redemption, whichever is earlier. Interest hereon will accrue from the Issue Date identified above. Interest on this Bond shall be computed on the basis of a 360-day year of twelve 30-day months. Attached to this Bond is an amortization table setting forth the payments due on this Bond.

If any principal (including mandatory sinking installment) of or interest on this Bond is not paid when due and remains unpaid after a date specified by a notice by the Owner to the Authority, the entire outstanding principal of this Bond and accrued interest hereon shall at once become due and payable at the option of the Owner. The date specified shall not be less than thirty days from the date such notice is mailed. The Owner may exercise this option to accelerate during any default in payment by the Authority regardless of any prior forbearance. If suit is brought to collect this Bond, the Owner shall be entitled to collect all reasonable costs and expenses of suit, including but not limited to reasonable attorneys fees.

The Authority shall pay to the Owner a late charge of ten percent (10%) of any installment of principal of or interest on this Bond not received by the Owner within fifteen (15) days after the installment is due. Upon the occurrence of any default with respect to this Bond, the interest rate on this Bond shall immediately increase to an interest rate equal to the interest rate that would otherwise be in effect plus four percent (4.00%).

This Bond is the duly authorized Housing Authority of the County of Merced Mortgage Secured Housing Bond (Pooled Financing) Series 2019A, limited in aggregate principal amount to \_\_\_\_\_ Dollars and no Cents (\$ \_\_\_\_\_) issued pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California and pursuant to the provisions of the Deed of Trust referred to below. This Bond is secured in accordance with the terms and conditions of the Deed of Trust and the Letter Agreement, dated \_\_\_\_\_, 2019 (the "Letter Agreement"), between the Authority and the Owner, and reference is hereby made to the Deed of Trust, the Letter Agreement, and the law for description of the terms on which this Bond is issued, for the provisions with regard to the nature and extent of the security provided for this Bond and of the nature, extent and manner of enforcement of such security, and all the terms of the Deed of Trust, the Letter Agreement and the law are hereby incorporated herein and constitute a contract between the Authority and the registered owner from time to time of this Bond and to all the provisions thereof the registered owner of this Bond, by acceptance hereof, consents and agrees.

This Bond is issued in connection with the refinancing of and rehabilitation by the Authority of multifamily rental housing facilities owned and operated by the Authority in the Cities of Dos Palos, South Dos Palos, Atwater and Merced, California.

THE OBLIGATIONS OF THE AUTHORITY UNDER THIS BOND, INCLUDING THE OBLIGATION TO MAKE ALL PAYMENTS OF INTEREST AND PRINCIPAL ON THIS BOND WHEN DUE, ARE ABSOLUTE AND UNCONDITIONAL, WITHOUT ANY RIGHT OF SET-OFF OR COUNTERCLAIM. THIS BOND DOES NOT CONSTITUTE AN OBLIGATION OF THE AUTHORITY FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THIS BOND NOR THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS ON THIS BOND CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE BOARD OF COMMISSIONERS OF THE AUTHORITY (THE "BOARD") SHALL BE OBLIGATED TO MAKE APPROPRIATIONS TO PAY THIS BOND FROM ANY SOURCE OF LEGALLY AVAILABLE FUNDS OF THE AUTHORITY. THE BOARD SHALL BE OBLIGATED IN EACH FISCAL YEAR TO APPROPRIATE ALL AMOUNTS FROM SUCH FUNDS AS MAY BE REQUIRED TO PAY THE AGGREGATE AMOUNT OF THE PRINCIPAL OF AND THE INTEREST ON THIS BOND COMING DUE AND PAYABLE IN SUCH FISCAL YEAR.

The principal of and interest on this Bond is payable by check mailed by the Authority by first class mail on each payment date to the Owner or, at the option of the Owner and upon written notice received by the Authority on or prior to the date which is 15 days prior to any respective payment date, by wire transfer, at the Owner's address or to such account as shall have been identified by the Owner in the notice requesting payment by wire transfer.

This Bond is subject to redemption at the option of the Authority, in whole or in part on any date and may be redeemed prior to the maturity hereof by payment of principal, plus accrued interest to date of redemption, and a redemption premium calculated as a percentage of the principal amount redeemed, as set forth below:

Redemption Period	Premium
Closing Date through April 4, 2021	5%
April 5, 2021 through April 4, 2023	4
April 5, 2023 through April 4, 2025	3
April 5, 2025 through April 4, 2027	2
April 5, 2027 through April 4, 2029	1
April 5, 2029 and thereafter	0

The redemption premiums listed above will only be invoked if this Bond is funded or refinanced from a borrowing through an entity other than the Owner. A redemption from any other available funds of the Authority will not require the payment of a redemption premium.

This Bond is also subject to redemption, at the option of the Authority on any date, from proceeds of this Bond not used by the Authority to prepay loans, pay costs of issuance of the Bond or to rehabilitate housing facilities owned by the Authority, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued on the principal thereof to be redeemed to the date fixed for redemption.

In the event of any redemption prior to maturity of less than the entire outstanding principal of this Bond, the Owner will provide the Authority with a new amortization schedule for this Bond, to supersede the amortization schedule attached hereto, reflecting substantially

level debt service through the then remaining term of this Bond. Such new amortization table, absent manifest error, shall be binding upon the Authority and the Owner.

No notice of any redemption need be given to the Owner.

In the event the property described in the Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents by the Authority, with Farmers/Merchants Corp. as trustee, for the benefit of the Owner (together with the Addendum thereto, the "Deed of Trust"), securing this Bond, or any part thereof, or any interest therein, is sold, conveyed, alienated, assigned, or otherwise transferred by the Authority, or by the operation of law or otherwise, all unpaid principal and any accrued interest on this Bond, irrespective of the maturity date expressed herein, at the option of the Owner, and without demand or notice shall immediately become due and payable, except as prohibited by California Civil Code Section 2924.5, or other applicable law.

This Bond is transferable only in whole, subject to the prior written consent of the Authority, upon the Bond Register kept by the Authority for that purpose at the principal office of the Authority, by the registered owner hereof in person, or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Authority, duly executed by the registered owner or his attorney duly authorized in writing, and thereupon a new registered bond, without coupons, and with the same aggregate outstanding principal amount, shall be issued to the transferee in exchange herefor.

Neither the Commissioners of the Authority nor any person executing the Bond is liable personally on this Bond or subject to any personal liability or accountability by reason of its issuance. This Bond is not a debt of the County of Merced, the State of California, or any of its political subdivisions (other than the Authority) and neither are they liable on this Bond, nor is this Bond payable out of any funds or properties other than those of the Authority.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by law to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Housing Authority of the County of Merced has caused this Bond to be signed by the manual or facsimile signature of the Chairperson of the Board of Commissioners of the Authority, countersigned by the manual or facsimile signature of the Clerk of the Board of Commissioners of the Authority, and has caused this Bond to be dated as set forth above.

HOUSING AUTHORITY OF THE COUNTY OF MERCED

By: \_\_\_\_\_  
Chairperson of the Board of Commissioners

ATTEST:

By: \_\_\_\_\_  
Clerk of the Board of Commissioners

CERTIFICATE OF REGISTRATION

This is the Bond described in the above-mentioned Deed of Trust which has been authenticated and registered this \_\_\_\_\_ day of April, 2019.

HOUSING AUTHORITY OF THE COUNTY OF STANISLAUS

By: \_\_\_\_\_  
Rosa Vasquez,  
Executive Director

ATTACHMENT TO  
HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MORTGAGE SECURED HOUSING BOND  
(POOLED FINANCING), SERIES 2019A

AMORTIZATION SCHEDULE  
FOR THE BOND

<u>Payment Date</u>	<u>Amount of Payment</u>	<u>Payment Date</u>	<u>Amount of Payment</u>
May 1, 2019	\$	April 1, 2023	
June 1, 2019		May 1, 2023	
July 1, 2019		June 1, 2023	
August 1, 2019		July 1, 2023	
September 1, 2019		August 1, 2023	
October 1, 2019		September 1, 2023	
November 1, 2019		October 1, 2023	
December 1, 2019		November 1, 2023	
January 1, 2020		December 1, 2023	
February 1, 2020		January 1, 2024	
March 1, 2020		February 1, 2024	
April 1, 2020		March 1, 2024	
May 1, 2020		April 1, 2024	
June 1, 2020		May 1, 2024	
July 1, 2020		June 1, 2024	
August 1, 2020		July 1, 2024	
September 1, 2020		August 1, 2024	
October 1, 2020		September 1, 2024	
November 1, 2020		October 1, 2024	
December 1, 2020		November 1, 2024	
January 1, 2021		December 1, 2024	
February 1, 2021		January 1, 2025	
March 1, 2021		February 1, 2025	
April 1, 2021		March 1, 2025	
May 1, 2021		April 1, 2025	
June 1, 2021		May 1, 2025	
July 1, 2021		June 1, 2025	
August 1, 2021		July 1, 2025	
September 1, 2021		August 1, 2025	
October 1, 2021		September 1, 2025	
November 1, 2021		October 1, 2025	
December 1, 2021		November 1, 2025	
January 1, 2022		December 1, 2025	
February 1, 2022		January 1, 2026	
March 1, 2022		February 1, 2026	
April 1, 2022		March 1, 2026	
May 1, 2022		April 1, 2026	
June 1, 2022		May 1, 2026	
July 1, 2022		June 1, 2026	
August 1, 2022		July 1, 2026	
September 1, 2022		August 1, 2026	
October 1, 2022		September 1, 2026	
November 1, 2022		October 1, 2026	
December 1, 2022		November 1, 2026	
January 1, 2023		December 1, 2026	
February 1, 2023		January 1, 2027	
March 1, 2023		February 1, 2027	

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
Mortgage Secured Housing Bond  
(Pooled Financing), Series 2019A

<u>Payment Date</u>	<u>Amount of Payment</u>	<u>Payment Date</u>	<u>Amount of Payment</u>
March 1, 2027		December 1, 2031	
April 1, 2027		January 1, 2032	
May 1, 2027		February 1, 2032	
June 1, 2027		March 1, 2032	
July 1, 2027		April 1, 2032	
August 1, 2027		May 1, 2032	
September 1, 2027		June 1, 2032	
October 1, 2027		July 1, 2032	
November 1, 2027		August 1, 2032	
December 1, 2027		September 1, 2032	
January 1, 2028		October 1, 2032	
February 1, 2028		November 1, 2032	
March 1, 2028		December 1, 2032	
April 1, 2028		January 1, 2033	
May 1, 2028		February 1, 2033	
June 1, 2028		March 1, 2033	
July 1, 2028		April 1, 2033	
August 1, 2028		May 1, 2033	
September 1, 2028		June 1, 2033	
October 1, 2028		July 1, 2033	
November 1, 2028		August 1, 2033	
December 1, 2028		September 1, 2033	
January 1, 2029		October 1, 2033	
February 1, 2029		November 1, 2033	
March 1, 2029		December 1, 2033	
April 1, 2029		January 1, 2034	
May 1, 2029		February 1, 2034	
June 1, 2029		March 1, 2034	
July 1, 2029		April 1, 2034	
August 1, 2029		May 1, 2034	
September 1, 2029		June 1, 2034	
October 1, 2029		July 1, 2034	
November 1, 2029		August 1, 2034	
December 1, 2029		September 1, 2034	
January 1, 2030		October 1, 2034	
February 1, 2030		November 1, 2034	
March 1, 2030		December 1, 2034	
April 1, 2030		January 1, 2035	
May 1, 2030		February 1, 2035	
June 1, 2030		March 1, 2035	
July 1, 2030		April 1, 2035	
August 1, 2030		May 1, 2035	
September 1, 2030		June 1, 2035	
October 1, 2030		July 1, 2035	
November 1, 2030		August 1, 2035	
December 1, 2030		September 1, 2035	
January 1, 2031		October 1, 2035	
February 1, 2031		November 1, 2035	
March 1, 2031		December 1, 2035	
April 1, 2031		January 1, 2036	
May 1, 2031		February 1, 2036	
June 1, 2031		March 1, 2036	
July 1, 2031		April 1, 2036	
August 1, 2031		May 1, 2036	
September 1, 2031		June 1, 2036	
October 1, 2031		July 1, 2036	
November 1, 2031		August 1, 2036	

HOUSING AUTHORITY OF THE COUNTY OF MERCED  
Mortgage Secured Housing Bond  
(Pooled Financing), Series 2019A

Payment Date  
September 1, 2036  
October 1, 2036  
November 1, 2036  
December 1, 2036  
January 1, 2037  
February 1, 2037  
March 1, 2037  
April 1, 2037  
May 1, 2037  
June 1, 2037  
July 1, 2037  
August 1, 2037  
September 1, 2037  
October 1, 2037  
November 1, 2037  
December 1, 2037  
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Amount of Payment

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March 1, 2044  
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May 1, 2044  
June 1, 2044  
July 1, 2044  
August 1, 2044

Amount of Payment

\$ \_\_\_\_\_  
**HOUSING AUTHORITY OF THE COUNTY OF MERCED**  
**MORTGAGE SECURED HOUSING BOND**  
**(POOLED FINANCING), SERIES 2019A**

**BOND PURCHASE AGREEMENT**

March \_\_, 2019

Housing Authority of the County of Merced  
 405 U Street  
 Merced, California 95341  
 Attention: Executive Director

Ladies and Gentlemen:

The undersigned, Farmers & Merchants Bank of Central California (the "Purchaser"), hereby offers to enter into this Bond Purchase Agreement (this "Bond Purchase Agreement") with Housing Authority of the Authority of Merced (the "Authority"), which upon acceptance of this offer by the Authority, will be binding upon the Authority and the Purchaser. This offer is made subject to its acceptance by the Authority by execution and delivery of this Bond Purchase Agreement to the Purchaser by 11:59 p.m., Pacific Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Purchaser upon written notice to the Authority at any time prior to acceptance hereof by the Authority.

*Section 1. Purchase and Sale of the Bond.*

(a) Subject to the conditions, and upon the basis of the representations, warranties and covenants hereinafter set forth, the Purchaser hereby agrees to purchase from the Authority, and the Authority hereby agrees to sell to the Purchaser, the \$\_\_\_\_\_ aggregate principal amount of Housing Authority of the Authority of Merced, Mortgage Secured Housing Bond (Pooled Financing), Series 2019A (the "Bond"), at a price of \$\_\_\_\_\_ (which price is equal to \$\_\_\_\_\_, being an amount equal to the initial principal amount of the Bond of \$\_\_\_\_\_, less \$\_\_\_\_\_ in respect of certain fees and reimbursements to the Purchaser referred to in Section 2.2 of the Letter Agreement referenced in Section 2(c) hereof, including the "Bank Fee" defined therein.

The Authority acknowledges and agrees that (i) the purchase and sale of the Bond pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between the Authority and the Purchaser, (ii) in connection with such transaction, the Purchaser is acting solely as a principal and not as an advisor (including, without limitation, a Municipal Advisor (as such term is defined in section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act)), agent or a fiduciary of the Authority, (iii) the Purchaser has not assumed an advisory or fiduciary responsibility in favor of the Authority with respect to the sale of the Bond contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Purchaser has provided other services or is currently providing other services to the Authority on other matters) and the Purchaser has no obligation to the Authority with respect to the offering and sale of the Bond contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Purchaser has financial and other interests that differ from those of the Authority and (v) the Authority has consulted with its own

legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Bond.

The Authority has represented to the Purchaser that (i) the Bond is authorized pursuant to the provisions of Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code, commencing with section 34200 of said Code (the "Law"), and a resolution adopted by the Board of Commissioners of the Authority (the "Board") adopted on March 28, 2019 (the "Bond Resolution"), (ii) the Bond are being issued to provide funds (A) for the purpose of refunding certain outstanding indebtedness of the Authority, specifically the loan from the California Affordable Housing Agency (the "Agency") to the Authority pursuant to the Loan Agreement, dated as of February 1, 2003, among the Agency, the Authority and The Bank of New York Mellon Trust Company, N.A., successor to J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), and a loan from the Agency to the Authority pursuant to the Loan Agreement, dated as of March 1, 2007, among the Agency, the Authority and the Trustee, (B) to provide funds to the Authority to rehabilitate housing facilities owned by the Authority (collectively, the "Projects"), and (C) to pay the costs of issuing the Bond, and (iii) issuance of the Bond and execution of this Bond Purchase Agreement was approved by the Bond Resolution.

(b) The Bond shall be dated its date of delivery and shall mature on the date, bear interest at the rate per annum payable on the dates and be subject to redemption as set forth in Exhibit A hereof. The Authority agrees to comply with the financial conditions required by the Purchaser as set forth in Exhibit B hereof.

As provided in the Bond Resolution, the obligations of the Authority with respect to the Bond, including the obligation to make all payments of interest and principal on the Bond when due, are absolute and unconditional, without any right of set-off or counterclaim.

As provided in the Resolution, the Bond does not constitute an obligation of the Authority for which the Authority is obligated to levy or pledge any form of taxation. Neither the Bond nor the obligations of the Authority to make payments on the Bond constitute an indebtedness of the Authority, the State or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction.

The Board shall be obligated to make annual or more frequent appropriations to pay the Bond from any source of legally available funds of the Authority. The Board shall be obligated in each fiscal year of the Authority to appropriate all amounts from such funds as may be required to pay the aggregate amount of the principal of and the interest on the Bond coming due and payable in such fiscal year.

All capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Bond.

Section 2. Private Placement; Bond Constitute Investment of Purchaser.

(a) The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other obligations of a nature similar to the Bond to be able to evaluate the risks and merits of the investment represented by the purchase of the Bond.

(b) The Purchaser is acquiring the Bond for its own account and not with a view to, or for sale in connection with, any distribution of the Bond or any portion thereof. The Purchaser has not offered to sell, solicited offers to buy, or agreed to sell the Bond or any portion thereof, and the Purchaser has no current intention of reselling or otherwise disposing of the Bond; *provided,*

*however*, such representation shall not preclude the Purchaser from transferring or selling the Bond in accordance with its terms. The Purchaser is not acting in a broker-dealer capacity in connection with its purchase of the Bond.

(c) As a sophisticated investor, the Purchaser has made its own credit inquiry and analysis with respect to the Authority and the Bond, based upon information supplied by the Authority, and has made an independent credit decision based upon such inquiry and analysis and in reliance on the truth, accuracy, and completeness of the representations and warranties of the Authority set forth in the Bond, the Letter Agreement, dated as of April 1, 2019, between the Authority and the Purchaser (the "Letter Agreement"), the Deed of Trust referenced in the Bond, and this Bond Purchase Agreement and in the information set forth in any materials submitted to the Purchaser by the Authority. The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information regarding the Authority, and the Purchaser has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the Authority and the Bond.

(d) The Purchaser has been informed and understands that the Bond has not been registered under the United States Securities Act of 1933 or under any state securities laws. The Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bond by it, and further acknowledges that any current exemption from registration of the Bond does not affect or diminish such requirements.

(e) The Purchaser has authority to purchase the Bond and to execute the Letter Agreement and this Bond Purchase Agreement and any other instruments and documents required to be executed by the Purchaser in connection with its purchase of the Bond. The undersigned is a duly appointed, qualified, and acting officer of the Purchaser and is authorized to cause the Purchaser to make the representations and warranties contained herein by execution of this Bond Purchase Agreement on behalf of the Purchaser.

(f) The Purchaser has been informed and understands that the Bond (i) has not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, and (ii) will not be listed on any stock or other securities exchange.

(g) The Purchaser acknowledges that the Bond is not transferable or exchangeable, except as provided in the Bond.

(h) The Purchaser has been informed and understands that the Bond is exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the Authority has not undertaken and will not undertake to provide any continuing disclosure with respect to the Bond, except as set forth in the Letter Agreement and in this Bond Purchase Agreement.

*Section 3. Closing.* At 8:00 a.m., Pacific Standard time, April 4, 2019, or at such other time on such earlier or later date as shall have been mutually agreed upon by the Authority and the Purchaser (the "Closing Date"), the Authority will deliver or cause to be delivered to the Purchaser the Bond duly executed by the Authority, together with the other documents hereinafter mentioned, and the Purchaser will accept such delivery and pay the purchase price of such Bond as set forth in Section 1 hereof. The consummation of the purchase and delivery of the Bond as aforesaid shall be made at the offices of Quint & Thimmig LLP, Larkspur, California, or at such other place as shall be agreed upon by the Authority and the Purchaser. Such purchase and delivery is herein called the "Closing" and the date and time of the Closing is herein called the "Closing Date."

The Bond shall be executed and delivered under and in accordance with the provisions of this Bond Purchase Agreement and the Bond Resolution. The Bond shall be in definitive form, shall be delivered as one fully-registered bond, registered in the name of the Purchaser.

The Purchaser agrees that, on the Closing Date, the purchase price for the Bond (\$\_\_\_\_\_), which is the original principal amount of the Bond (\$\_\_\_\_\_), less the Bank Fee and the Origination Costs referred to in Section 2.2 of the Letter Agreement (\$\_\_\_\_\_), shall be disbursed as follows:

(a) to the Authority to be used by the Authority to pay costs of the rehabilitation of the Projects, \$\_\_\_\_\_;

(b) to Cota Cole & Huber LLP, general counsel to the Authority, \$\_\_\_\_\_;

(c) to Wulff Hansen & Co., as municipal advisor, \$\_\_\_\_\_;

(d) to Brandis Tallman LLC, as placement agent, \$\_\_\_\_\_;

(e) to Quint & Thimmig LLP, as bond counsel, \$\_\_\_\_\_;

(f) to Kathleen Johnson, Esq., as counsel to the Purchaser, \$\_\_\_\_\_; and

(g) to the Authority, \$\_\_\_\_\_ to pay the fee payable to the California Debt and Investment Advisory Commission, to pay the costs of the Authority relating to the Bond or to be applied to pay interest on the Bond on the first Interest Payment Date.

*Section 4. Representations and Warranties.*

(a) The Purchaser hereby represents that it has full power and authority to enter into this Bond Purchase Agreement, that the execution, delivery and performance of this Bond Purchase Agreement and the purchase of the Bond contemplated herein have been duly authorized by the Purchaser, and that this Bond Purchase Agreement, upon due authorization, execution and delivery by the Authority, will be a valid and binding obligation of the Purchaser.

(b) The Authority, by its acceptance hereof, represents, warrants, covenants and agrees with the Purchaser as follows:

(i) The Authority is a housing authority organized and existing under the constitution and laws of the State of California and the Board, by adoption of the Bond Resolution, has duly approved the execution and delivery of this Bond Purchase Agreement, the Deed of Trust and the Letter Agreement (collectively, the "Bond Documents") and the issuance, execution, sale and delivery of the Bond, and the Authority has full right, power and authority to execute, deliver and perform its obligations under the Bond Documents and the Bond and to carry out and consummate the transactions on its part contemplated by the Bond Resolution and the Bond Documents.

(ii) The Authority has, on or before the date hereof, duly adopted the Bond Resolution and taken all action necessary to be taken by it prior to such date for (A) the issuance, sale and delivery of the Bond upon the terms and conditions and for the purposes described herein and in the Bond Resolution, (B) the execution and delivery of the Bond Documents and performance of its obligations thereunder, and (C) the carrying out of, giving effect to, consummating and performing the transactions and obligations

contemplated to be performed by it by the Bond Resolution and the Bond Documents, provided that no representation is made with respect to compliance with the securities or "Blue Sky" laws of the various states of the United States, and the Bond Resolution has not been amended, modified or repealed and is in full force and effect on the date hereof.

(iii) The execution and delivery by the Authority of the Bond Documents, the issuance, execution, sale and delivery of the Bond, the compliance by it with the terms, conditions or provisions thereof, and the consummation on its part of the transactions herein and therein contemplated do not and will not, in any respect material for the performance by the Authority of its obligations under the Bond Resolution, the Bond Documents or the Bond, conflict with or constitute a breach of or a default under nor contravene any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority (other than the lien of the Deed of Trust) under any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, deed of trust, resolution, agreement or other instrument in any respect material to the performance by the Authority of its obligations under this the Bond Resolution, the Bond Documents and the Bond.

(iv) There is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution, delivery and sale of the Bond or the consummation by the Authority of the transactions on its part contemplated by the Bond Resolution and the Bond Documents, which has not been duly obtained or made on or prior to the date hereof and each such matter is in full force and effect.

(v) Under the laws of the State of California, the Authority cannot assert sovereign immunity as a defense to the enforcement of its obligations under the Bond or the Bond Documents.

(vi) To the best knowledge of the Authority, none of the matters referred to in Section 6(a) hereof has occurred or is pending.

(vii) The financial statements of the Authority for the fiscal year ended June 30, 2017, were prepared in accordance with generally accepted accounting principles in the United States ("GAAP") consistently applied and present fairly the financial position of the Authority at the date thereof and the changes in financial position for the fiscal year ended on such date. Since June 30, 2017, there has been no material adverse change in such position or in the operation, properties or condition (financial or otherwise) of the Authority.

(viii) There is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body pending against or, to the best knowledge of the Authority, threatened against or affecting the Authority wherein an unfavorable decision, ruling or finding would adversely affect (A) the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Bond Resolution and the Bond Documents or (B) the transactions contemplated to be performed by it under the Bond Resolution and this Bond Purchase Agreement.

(ix) The proceeds from the sale to the Purchaser of the Bond will be applied in the manner and for the purposes specified in this Bond Purchase Agreement.

(x) Any certificate of the Authority delivered to the Purchaser in connection with the transactions contemplated by the Bond Resolution and the Bond Documents shall be deemed a representation by the Authority to the Purchaser as to the statements made therein.

(xi) No default or event of default has occurred and is continuing by the Authority under the Bond Resolution or any of the Bond Documents, and no such event has occurred and is continuing that with the lapse of time, the giving of notice or both would constitute a default by the Authority or an event of default under the Bond Resolution or the Bond Documents.

*Section 5. Conditions to the Obligations of the Purchaser.* The obligations of the Purchaser under this Bond Purchase Agreement have been undertaken in reliance on, and shall be subject to, the due performance by the Authority of its obligations and agreements to be performed hereunder, and on and as of the date of delivery of this Bond Purchase Agreement and on and as of the Closing Date. The obligations of the Purchaser hereunder to accept delivery of and pay for the Bond at the Closing are also subject, in the discretion of the Purchaser, to the following further conditions:

(a) At the time of the Closing, (i) the Bond Resolution and the Bond Documents shall be in full force and effect and shall not have been rescinded, amended, modified or supplemented, except as may have been agreed to by the Purchaser, and the Authority shall have adopted or executed and delivered, as the case may be, and there shall be in full force and effect such additional resolutions, agreements, opinions and certificates, which resolutions, agreements, opinions and certificates shall be reasonably satisfactory in form and substance to the Purchaser, and there shall have been taken in connection therewith and in connection with the issuance of the Bond all such action as shall, in the opinion of the Purchaser, be necessary in connection with the transactions contemplated hereby, (ii) the Bond shall have been duly issued and delivered, (iii) the Authority shall perform or have performed all of its obligations under or specified in this Bond Purchase Agreement to be performed by the Authority at or prior to the Closing, and (iv) all representations and warranties of the Authority contained in this Bond Purchase Agreement shall be true and correct in all material respects.

(b) On the Closing Date, there shall be delivered to the Purchaser in form satisfactory to the Purchaser:

(i) Executed counterparts of the Bond Documents, certified copies of the Bond Resolution and such other documents and certificates as the Purchaser or its counsel may reasonably require in order to evidence the accuracy or satisfaction of any of the representations, warranties or conditions herein contained.

(ii) An approving opinion of Quint & Thimmig LLP, Bond Counsel, and a letter from Bond Counsel addressed to the Purchaser expressly permitting the Purchaser to rely on such final approving opinion as if the Purchaser was an addressee thereof.

(iii) A certificate, dated the Closing Date, signed by an authorized official of the Authority, and in form and substance satisfactory to the Purchaser, to the effect that:

(A) Except as previously disclosed to the Purchaser, there is no action, suit, proceeding, inquiry or investigation before or by any court, public board or body

pending with respect to which the Authority has been served with process or, to the best knowledge of the Authority, threatened against or affecting the Authority wherein an unfavorable decision, ruling or finding would adversely affect the validity or enforceability of, or the authority or ability of the Authority to perform its obligations under, the Bond Resolution, the Bond or the Bond Documents, or which would restrain or enjoin the sale, execution or delivery of the Bond or in any way contest or affect the validity of the Bond, the proceedings of the Authority taken with respect to the issuance, delivery or sale thereof, the pledge or application of any moneys or securities provided for the payment of the Bond and the existence or powers of the Authority or the title of any officers of the Authority to their respective positions,

(B) The representations and warranties of the Authority contained in this Bond Purchase Agreement are true and correct in all material respects on and as of the Closing Date, and

(C) The Authority has complied, or is presently in compliance, with all agreements and has satisfied all conditions on its part to be observed or satisfied under this Bond Purchase Agreement at or prior to the Closing Date.

(iv) An opinion of Cota Cole & Huber LLP, general counsel to the Authority, to the effect that:

(A) The Authority is a public body, corporate and politic, duly organized and existing under the Constitution and the laws of the State of California, with full right, power and authority (i) to adopt the Bond Resolution, (ii) to execute, deliver and perform its obligations under the Bond and the Bond Documents, and (iii) to carry out and consummate all other transactions on its part contemplated by the Bond and the Bond Documents,

(B) The proceedings, including the adoption of the Bond Resolution, which have been taken by the Authority relating to the authorization, issuance and delivery of the Bond and the authorization, execution and delivery of the Bond Documents have been taken in accordance with the laws of the State of California and are binding on the Authority,

(C) The execution, delivery and performance by the Authority of the Bond and the Bond Documents have been duly authorized by all required action on the part of the Authority,

(D) Neither the Authority's execution and delivery of the Bond and the Bond Documents nor the Authority's adoption of the Bond Resolution and compliance by the Authority therewith, nor the consummation of the transactions on the part of the Authority contemplated thereby or the use of the proceeds of the Bond, conflict with or constitute a breach of or default under any term or provision of the Constitution of the State of California, or any statute, administrative rule or regulation, judgment, decree, order, license, permit, agreement or instrument to which the Authority is subject or by which the Authority or any of its property is bound, and

(E) To the best of such counsel's knowledge, there is no action, suit or proceeding, inquiry or investigation, at law or in equity, before or by any judicial or administrative court, governmental agency, public board or body pending

(with respect to which the Authority has been served with process) or threatened against the Authority, which (i) affects or questions the existence of the Authority, the title to office of any officer of the Authority or the territorial jurisdiction of the Authority, (ii) affects or seeks to prohibit, restrain or enjoin the issuance, sale or delivery of the Bond, (iii) affects or questions the validity or enforceability of the Bond, the Bond Resolution or the Bond Documents, (iv) questions the tax exempt status of the Bond, or (v) questions the powers of the Authority to carry out the transactions on its part contemplated by the Bond Resolution, the Bond and the Bond Documents.

(v) The following documents required to be delivered by the Authority, in respective forms provided by counsel to the Purchaser:

- (A) Notice of Insurance Requirements,
- (B) Agreement to Provide Insurance,
- (C) Hazard Insurance Disclosure,
- (D) Disclosure of Right to Receive Appraisal,
- (E) Disbursement Request and Authorization, and
- (F) Customer Verification.

(vi) Such additional legal opinions, certificates, instruments and documents as the Purchaser may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the Authority's representations and warranties contained herein and the due performance or satisfaction by the Authority on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the Authority.

If the conditions to the obligations of the Purchaser contained in this Bond Purchase Agreement shall not be satisfied, unless otherwise waived by the Purchaser, this Bond Purchase Agreement shall terminate with the effect stated in paragraph (b) of Section 6 hereof.

*Section 6. Termination of Agreement.*

(a) The Purchaser may terminate this Bond Purchase Agreement at any time subsequent to the date of this Bond Purchase Agreement and at or prior to the Closing by notifying the Authority in writing or by telegram of its election so to do, if legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bond, as contemplated hereby, is or would be in violation of any provision of the Securities Act, the Securities Exchange Act of 1934 (the "Securities Exchange Act") or the Trust Indenture Act, as any of the foregoing Acts are amended and in effect on the date hereof, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bond, as contemplated hereby.

(b) If this Bond Purchase Agreement is terminated as herein provided, the parties hereto shall have no obligations one to the other.

*Section 7. Expenses.* Except as otherwise provided herein, the Purchaser shall be under no obligation to pay and the Authority shall pay any expenses incident to, or in connection with, the offering, issuance and sale of the Bond.

Section 8. Miscellaneous.

(a) Except as otherwise specifically provided in this Bond Purchase Agreement, all notices, demands and formal actions under this Bond Purchase Agreement shall be in writing and mailed, telegraphed or personally delivered to:

The Purchaser: Farmers & Merchants Bank of Central California  
121 West Pine Street,  
P. O. Box 3000  
Lodi, CA 95240  
Attention: Loan Center Manager

The Authority: Housing Authority of the County of Merced  
405 U Street  
Merced, CA 95341  
Attention: Executive Director

(b) This Bond Purchase Agreement will inure to the benefit of and be binding upon the Authority and the Purchaser and their respective successors and assigns and will not confer any rights upon any other person or entity other than persons, if any, controlling the Purchaser within the meaning of the Securities Act or the Securities Exchange Act.

(c) All of the representations, warranties and covenants of the Authority in this Bond Purchase Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of the Purchaser, (ii) delivery of and any payment for the Bond hereunder or (iii) termination of the Purchaser's obligation to accept delivery of the Bond pursuant to this Bond Purchase Agreement.

(d) Section headings have been inserted in this Bond Purchase Agreement as a matter of convenience or for reference only, and it is agreed that such section headings are not a part of this Bond Purchase Agreement and will not be used in the interpretation of any provisions of this Bond Purchase Agreement.

(e) If any provision of this Bond Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

(f) This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

(g) This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and performed in California.

Section 9. Survival. The provisions of Sections 1(b), 4 and 8 of this Bond Purchase Agreement shall survive until the Bond has been paid in full.

Farmers & Merchants Bank of Central  
California, as Purchaser

By: \_\_\_\_\_  
Steve Haley,  
Executive Vice President,  
Chief Financial Officer

This Bond Purchase Agreement is accepted  
and agreed to by the undersigned as of the  
date first above written:

HOUSING AUTHORITY OF THE  
COUNTY OF MERCED

By: \_\_\_\_\_  
Rosa Vasquez,  
Executive Director

13069.01:J16026

**EXHIBIT A**

**MATURITY DATE, PRINCIPAL AMOUNT, INTEREST RATE,  
PAYMENT DATES AND REDEMPTION PROVISIONS**

Maturity Schedule

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
8/1/2044	\$ _____	4.35%

Substantially level payments of principal and interest on the Bond shall be payable monthly on the first day of each month, commencing May 1, 2019. An amortization schedule will be attached to the Bond, as provided by the Purchaser.

Redemption Provisions

The Bond is subject to redemption at the option of the Authority, in whole or in part on any date and may be redeemed prior to the maturity thereof by payment of principal, plus accrued interest to date of redemption, and a redemption premium calculated as a percentage of the principal amount redeemed, as set forth below:

<u>Redemption Period</u>	<u>Premium</u>
Closing Date through April 4, 2021	5%
April 5, 2021 through April 4, 2023	4
April 5, 2023 through April 4, 2025	3
April 5, 2025 through April 4, 2027	2
April 5, 2027 through April 4, 2029	1
April 5, 2029 and thereafter	0

The redemption premiums listed above will only be invoked if the Bond is funded or refinanced from a borrowing through an entity other than the Purchaser. A redemption from any other available funds of the Authority will not require the payment of a redemption premium.

The Bond is also subject to redemption, at the option of the Authority on any date, from proceeds of the Bond not used by the Authority to prepay loans, pay costs of issuance of the Bond or to rehabilitate housing facilities owned by the Authority, at a redemption price equal to one hundred percent (100%) of the principal amount thereof to be redeemed (without premium), together with interest accrued on the principal thereof to be redeemed to the date fixed for redemption.

## **EXHIBIT B**

### **FINANCIAL COVENANTS**

Subject to revision upon the mutual agreement of the Authority and the Purchaser, the Authority agrees to maintain at all times an unrestricted fund balance equal to 1.50 times the then maximum annual debt service on the Bond and any of its outstanding 2018 Taxable Pension Obligation Refunding Bonds (the "Pension Bonds"). The Authority agrees to increase such fund balance as necessary when additional obligations secured by the Authority's general fund are issued to 1.50 times the maximum annual debt service on the then outstanding principal of the Bond, the Pension Bonds and all such additional obligations secured by the Authority's general fund.

**RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:**

Farmers & Merchants Bank of Central California  
121 West Pine Street  
P.O. Box 3000  
Lodi, CA 95240  
Attn: Loan Center Manager  
LOAN # \_\_\_\_\_  
NAME: Housing Authority-Merced  
APNs: 001-122-012, 001-122-011, 012-310-050, 014-010-007,  
014-010-008, 236-180-001 and 236-190-013

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SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

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

**THIS DEED OF TRUST, SECURITY AGREEMENT, FIXTURE FILING AND ASSIGNMENT OF LEASES AND RENTS** (this "Deed of Trust") is made as of \_\_\_\_\_ 1, 2019, by Housing Authority of the County of Merced, a public body corporate and politic organized and existing under the laws of the State of California ("Trustor"), to FARMERS/MERCHANTS CORP., a California corporation ("Trustee"), for the benefit of FARMERS & MERCHANTS BANK OF CENTRAL CALIFORNIA, a California banking corporation ("Beneficiary").

**CONVEYANCE AND GRANT.**

**For valuable consideration, Trustor irrevocably grants, transfers and assigns to Trustee in trust, with power of sale, for the benefit of Lender as Beneficiary,** all of Trustor's right, title and interest in that certain real property located in the County of Merced, State of California and located at 1663 Dora St., Dos Palos, CA, 21227 So. Reynolds Ave., So. Dos Palos, CA, 1078 Sierra Vista St., Atwater, CA and 1001-1057 Loughborough Dr., Merced, CA (collectively, the "Real Property") and more particularly described in Exhibit A attached hereto and made a part hereof (the "Land"), together with all right, title and interest of Trustor therein and in and to as follows:

TOGETHER WITH all improvements and fixtures now or hereafter erected on the Real Property; all easements, rights, appurtenances; all water, water rights and ditch rights, including stock and utilities with ditch or irrigation rights; all rents (subject however to the rights and authorities given herein to Beneficiary to collect and apply such rents), royalties, minerals, oil and gas rights and profits; all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the Real Property covered by this Deed of Trust; and, all of the foregoing, together with said Real Property are herein referred to as the "Property."

TOGETHER WITH all of Trustor's right, title and interest in and to all present and future leases of the Property and all rents from the Property. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits and other benefits derived from the Property together with the cash proceeds of such rents. This is an absolute assignment of rents made in connection with an obligation secured by Real Property pursuant to California Civil Code Section 2938.

Collateral. Trustor hereby grants a California Commercial Code security interest to Beneficiary in, and assigns to Beneficiary, all of Trustor's right, title and interest in and to the following described property and any and all products and proceeds thereof, now owned or hereafter acquired by Trustor, (sometimes all of such being collectively referred to herein as the "Collateral"):

- (a) Tangible Property. All goods and tangible personal property located on the Property or wherever located and used or useable in connection with the use, operation or occupancy of the Property or in construction of the Improvements, including, but not limited to, all appliances, furniture and furnishings, materials, supplies, equipment and fixtures, and all building material, supplies and equipment now or hereafter delivered to the Property and installed or used or intended to be installed or used therein whether stored on the Property or elsewhere; and all renewals or replacements thereof or articles in substitution thereof;

(b) General Intangibles. All general intangibles relating to design, development, operation, management and use of the Property and construction of the Improvements, including, but not limited to: (i) all names under which or by which the Property or the Improvements may at any time be operated or known, all rights to carry on business under any such names or any variants thereof, and all goodwill in any way relating thereto; (ii) all permits, licenses, authorizations, variances, land use entitlements, approvals and consents issued or obtained in connection with the construction of the Improvements; (iii) all permits, licenses, approvals, consents, authorizations, franchises and agreements issued or obtained in connection with the use, occupancy or operation of the Property; (iv) all rights as a declarant (or its equivalent) under any covenants, conditions and restrictions or other matters of record affecting the Property; (v) all materials prepared for filing or filed with any governmental agency; (vi) all rights under any contract in connection with the development, design, use, operation, management and construction of the Property; and (vii) all books and records prepared and kept in connection with the acquisition, construction, operation and occupancy of the Property and the Improvements;

(c) Contracts. All construction, service, engineering, consulting, leasing, architectural, design and other similar contracts of any nature (including, without limitation, those of any general contractors, subcontractors and materialmen), as such may be modified, amended or supplemented from time to time, concerning the design, construction, management, operation, occupancy, use, and/or disposition of any portion of or all of the Property;

(d) Plans and Reports. All architectural, design and engineering drawings, plans, specifications, general conditions, addenda, soil tests and reports, feasibility studies, appraisals, engineering reports, environmental reports and similar materials relating to any portion of or all of the Property and modifications, supplements and amendments thereto;

(e) Sureties. All payment and performance bonds or guarantees and any and all modifications and extensions thereof relating to the Property;

(f) Payments. All reserves, deferred payments, deposits, refunds, cost savings, letters of credit and payments of any kind relating to the construction, design, development, operation, occupancy, use and disposition of all or any portion of the Property, including without limitation, any property tax rebates now owing or hereafter payable to Trustor;

(g) Financing Commitments. All proceeds of the Bond secured hereby and any commitment by any lender to extend permanent or additional construction financing to Trustor relating to the Property;

(h) Claims. All proceeds and claims arising on account of any damage to or taking of the Property or any part thereof, and all causes of action and recoveries for any loss or diminution in the value of the Property;

(i) Insurance. All of Borrower's interest in policies of, and proceeds resulting from, insurance relating to the Property or any of the above Collateral, and any and all riders, amendments, renewals, supplements or extensions thereof, and all proceeds thereof;

(j) Deposits. All deposits made with or other security given to utility companies by Trustor with respect to the Property and/or the Improvements, and all advance payments of insurance premiums made by Trustor with respect thereto and claims or demands relating to insurance and all deposit accounts wherever located;

(k) Stock. All shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, including all water stock relating to the Property, if any, and all documents or rights of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the Property;

(l) Proceeds. All proceeds, whether cash, promissory notes, contract rights or otherwise, of the sale or other disposition of all or any part of the estate of Trustor upon the Property now or hereafter existing thereon;

(m) Sale Contracts. All sales contracts, escrow agreements and broker's agreements concerning the sale of any or all of the Property, and all amendments thereto; and

(n) Mineral Rights. Trustor hereby assigns and transfers to Beneficiary all damages, royalties and revenue of every kind, nature and description whatsoever that Trustor may be entitled to receive from any person or entity owning or having or hereafter acquiring a right to the oil, gas or mineral rights and reservations of the Property.

Fixture Filing. The personal property in which Beneficiary has a security interest includes goods, which are or shall become fixtures on the Property. This Deed of Trust is intended to serve as a fixture filing pursuant to the terms of Sections 9102(a) (40) and 9502 of the California Commercial Code. This filing is to be recorded in the real estate records of the county in which the Property is located. This filing remains in effect as a fixture filing until this Deed of Trust is released or satisfied of record or its effectiveness otherwise terminates as to the Property. In that regard, the following information is provided:

Name of Debtor: Housing Authority of the County of Merced

Address of Debtor: See Section 7.10 hereof.

Name of Secured Party: Farmers & Merchants Bank of Central California

Address of Secured Party: See Section 7.10 hereof.

**1. THIS DEED OF TRUST SECURES:**

(a) All of the obligations of Trustor in favor Beneficiary or order under that certain Housing Authority of the County Of Merced Mortgage Secured Housing Bond (Pooled Financing) Series 2019A for the original or maximum principal amount of \_\_\_\_\_ AND NO/100 DOLLARS (\$ \_\_\_\_\_) executed by Trustor and payable to Beneficiary; and any renewals, extensions, modifications, amendments or supplements thereto (the "Bond"), together with interest thereon.

(b) Performance of each term, condition and agreement of Trustor under this Deed of Trust and any modifications, amendments and supplements thereto.

(c) Payment of such further sums as Trustor or any successor in ownership hereafter may borrow from Beneficiary when evidenced by another note or other instruments, reciting it is so secured, payable to Beneficiary or order and made by Trustor or any successor-in-ownership, and all renewals, extensions, modifications, amendments or supplements thereof.

(d) Performance of each term, condition and agreement of Trustor contained in any other agreement given by Trustor to Beneficiary which is for the purpose of further securing any indebtedness or obligation secured hereby and any modifications, amendments or supplements thereto.

**2. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:**

2.1 Maintenance and Preservation. Trustor agrees (a) to keep the Property in good condition and repair; (b) not to commit or permit any waste or deterioration of the Property; (c) not to commit or permit, without Beneficiary's prior written consent, any removal, demolition or substantial alteration of the Property except for such alterations as may be required by any law, ordinance, rule, regulation or order of any governmental authority; (d) to promptly restore any portion of the Property which may be damaged or destroyed; and (e) not to initiate or acquiesce in any change of zoning or other land classification which affects the Property without Beneficiary's prior written consent.

2.2 No Violation. Trustor shall not commit, permit or allow to exist any violation of any law, ordinance, rule, regulation or order of any governmental authority having jurisdiction over the Property or the Collateral or of any matter of record affecting the Property or the Collateral, including without limitation, the Americans With Disabilities Act and all applicable seismic requirements.

2.3 Compliance with Property Restrictions. Trustor will faithfully perform each and every covenant to be performed by Trustor under any lien or encumbrance upon or affecting the Property or the Collateral, including, without limiting the generality hereof, mortgages, deeds of trust, Leases, declarations of covenants, easements, conditions and/or

restrictions and other agreements which affect the Property, in law or in equity. A breach of or a default under any such lien or encumbrance shall constitute a default under this Deed of Trust.

2.4 Books and Records. Trustor shall maintain, or cause to be maintained, in the county in which the Property is located, proper and accurate books, records and accounts reflecting all items of income and expense in connection with the operation of the Property or in connection with any services, equipment or furnishings provided in connection with the operation of the Property, including any person or entity related to or affiliated with Trustor and who leased from Trustor portions of the Property for the purposes of occupying the same. Upon the request of Beneficiary, Trustor shall prepare and deliver to Beneficiary such financial statements regarding operation of the Property as Beneficiary may reasonably request and a current rent roll regarding the Property. Beneficiary, or its designee, shall have the right from time to time during normal business hours to examine such books, records and accounts and to make copies or extracts therefrom.

2.5 Insurance Policies. Trustor shall, at all times, provide, maintain and keep in force all of the insurance required by all insurance required by Beneficiary or applicable law. Trustor shall deliver to Beneficiary the originals of all required insurance policies or other evidence of insurance reasonably acceptable to Beneficiary. Trustor shall maintain all required insurance until the Bond is paid in full. All insurance policies shall provide that the insurance shall not be cancelled or materially changed without thirty (30) days' prior written notice to Beneficiary. All insurance policies shall be issued by licensed insurance companies reasonably acceptable to Beneficiary.

2.6 Casualty Notice. After the happening of any casualty or event insured against as required by Beneficiary, Trustor shall give prompt written notice thereof to Beneficiary.

2.7 Assignment of Proceeds. Trustor hereby absolutely and unconditionally assigns to Beneficiary all insurance proceeds which it may be entitled to receive. All such proceeds shall be delivered to and held by Beneficiary to be applied to Beneficiary's expenses in settling, prosecuting or defending any insurance claim, and then, subject to the satisfaction of all of the conditions set forth below, to the restoration of any portion of the Property and/or the Collateral that has been damaged or destroyed to the same condition, character and value as existed prior to such damage or destruction. The conditions to such use are: (a) an event which is, or with notice or the passage of time or both would constitute, an Event of Default shall not have occurred; (b) Beneficiary's security is not materially impaired, as determined by Beneficiary; (c) all income from the Property from any Lease, insurance or otherwise required to pay all debt service and operating expenses of the Property during such restoration and thereafter will be equal to or greater than the income which was required to pay such debt service and operating expenses prior to the casualty; (d) Trustor provides evidence satisfactory to Beneficiary that the insurance required to be maintained hereunder will be available to Trustor during restoration and thereafter; (e) Beneficiary shall have approved the plans and specifications for such restoration; and (f) in the event that in Beneficiary's sole judgment the insurance proceeds are not sufficient to accomplish restoration, Trustor deposits with Beneficiary, within five days of demand by Beneficiary, the additional amounts necessary to accomplish restoration. Proceeds disbursed for restoration will be released to Trustor under Beneficiary's then current customary disbursement procedures. In the event any of the conditions set forth above are not satisfied or if restoration of the Property has not commenced within thirty (30) days after receipt of such proceeds by Beneficiary, or if Trustor fails to diligently pursue such restoration to completion, then Beneficiary shall have the option to either apply the insurance proceeds to any indebtedness secured hereby in such order as Beneficiary may determine or release such proceeds to Trustor without such release being deemed a payment of any indebtedness secured hereby, rather than to apply such proceeds to the restoration of the Property and/or the Collateral. Such application or release shall not cure or waive any Default or Event of Default or notice of default hereunder or invalidate any act done pursuant to such notice. If the Property and/or the Collateral is restored at a cost less than the available insurance proceeds, and if Trustor is not then in Default under the Financing Documents, and if no amounts are then outstanding with respect to the Bond, then such excess proceeds shall be paid over to Trustor. Beneficiary may commence, appear in, defend or prosecute any assigned claim or action, and may adjust, compromise, settle and collect all claims, proceeds and awards assigned to Beneficiary, but shall not be responsible for any failure to collect any claim, proceeds or award, regardless of the cause of the failure.

2.8 Transfer of Policy. In the event of the foreclosure of this Deed of Trust or other transfer of the title to the Property in extinguishment, in whole or in part, of the indebtedness secured hereby, all right, title and interest of Beneficiary in and to any insurance policy then in force shall pass to the purchaser or grantee.

2.9 Payments. Trustor shall pay or cause to be paid:

(a) Assessments, Taxes. Prior to the assessment of any penalty or delinquency, all taxes, assessments and other governmental or public charges affecting the Property or the Collateral and any accrued interest, cost and/or penalty thereon (individually, "Imposition" and collectively, "Impositions"). If permitted by law, Trustor may pay the Imposition in installments. Trustor shall not be required to pay any Imposition so long as (i) its validity is being actively contested in good faith and by appropriate proceedings, (ii) Trustor has demonstrated to Beneficiary's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of the Property in satisfaction of such Imposition or otherwise impair Beneficiary's interest under this Deed of Trust, and (iii) Trustor has furnished Beneficiary with a bond or other security satisfactory to Beneficiary in an amount not less than 150% of the applicable claim. Upon demand by Beneficiary from time to time, Trustor shall deliver to Beneficiary, within 30 days following the due date of any Imposition, evidence of payment reasonably satisfactory to Beneficiary. In addition, upon demand by Beneficiary from time to time, Trustor shall furnish to Beneficiary a tax reporting service for the Property of a type and duration, and with a company, reasonably satisfactory to Beneficiary.

(b) Liens. When due, all encumbrances, ground rents, liens and/or charges, with interest, on the Property or the Collateral, or any part thereof, and all costs, fees and expenses related thereto.

(c) Utilities. When due, all charges for utilities or services servicing any portion of or all of the Property, including electricity, gas, water and sewer.

(d) Impound. If an Event of Default has occurred and demand has been made by Beneficiary, Trustor shall pay to Beneficiary on the first day of each month, together with and in addition to the regular installments of principal and interest due under the Bond, until the indebtedness secured hereby is paid in full, an amount equal to one-twelfth (1/12) of the yearly taxes and assessments, insurance premiums, ground lease rentals and other similar charges as estimated by Beneficiary to be sufficient to enable Beneficiary to pay at least 30 days before they become due, all taxes, assessments, insurance premiums, ground lease rentals and other similar charges against the Property. Beneficiary shall not be obligated to pay interest on any such sums. Upon demand of Beneficiary, Trustor shall deliver to Beneficiary such additional sums as are necessary to enable Beneficiary to pay such taxes, assessments, insurance premiums and similar charges.

(e) Reimbursement. Trustor shall pay immediately, upon Beneficiary's demand all sums expended or expenses incurred by Trustee and/or Beneficiary in acting under any of the terms of this Deed of Trust.

(f) Beneficiary's Statement Fee. Trustor shall pay the amount demanded by Beneficiary or its authorized servicing agent for any statement regarding the obligations secured hereby; provided, however, that such amount may not exceed the maximum amount allowed by law at the time request for the statement is made.

### **3. IT IS FURTHER AGREED THAT:**

3.1 Condemnation. If the Property, the Collateral or any part thereof, is taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner, Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor to which Trustor shall be entitled, and shall be entitled at its option to commence, appear in and prosecute in its own name any action or proceeding or to make any compromise or settlement in connection with such taking or damage to the extent of the interests of Trustor therein, but Beneficiary shall not be responsible for any failure to collect any claim or award, regardless of the cause of the failure. Trustor hereby absolutely and unconditionally assigns to Beneficiary all such compensation, awards, damages, rights of action and proceeds to which Trustor shall be entitled, and Beneficiary shall, after deducting therefrom all its reasonable expenses, including attorneys' fees, apply or release such proceeds with the same effect as with respect to disposition of insurance proceeds; provided, however, that if there are any excess proceeds after application thereof to the restoration of the Property or the Collateral, as applicable, Beneficiary shall be entitled to apply such excess to the reduction of the principal balance due under the Bond without any adjustment in the dollar amount of the regular installments due under the Bond. Trustor agrees to execute such further assignments of the proceeds as Beneficiary or Trustee may require. Nothing herein contained shall prevent the accrual of interest as provided in the Bond on any portion of the proceeds to be applied to the principal balance due under the Bond until the proceeds are received by Beneficiary.

3.2 Rents and Leases.

(a) Lease Covenants. Trustor shall not enter into any lease of the Property or the Improvements or any portion thereof except in the ordinary course of business and using a form of lease approved by Beneficiary. Trustor shall provide Beneficiary with true, correct and complete copies of all leases, together with such other information relating to the leases and the tenants thereunder, as Beneficiary shall reasonably request. Trustor shall not accept prepayments of rent for any period in excess of one month and shall perform all covenants of the lessor under all leases. Trustor shall perform and carry out all of the provisions of the leases to be performed by Trustor and shall appear in and defend any action in which the validity of any lease is at issue and shall commence and maintain any action or proceeding necessary to establish or maintain the validity of any lease and to enforce the provisions thereof. Beneficiary shall have the right, but not the obligation, to cure any default of Trustor under any of the leases and all amounts disbursed in connection with said cure shall be deemed to be disbursements under the Bond.

(b) Subordination of Leases and Attornment. Each lease of any portion of the Property or Improvements shall be absolutely subordinate to the lien of this Deed of Trust and shall contain a provision satisfactory to Beneficiary that in the event of the exercise of the private power of sale or a judicial foreclosure hereunder or a deed in lieu of foreclosure, such lease shall not be terminated and the tenant thereunder shall attorn to such purchaser. Upon Beneficiary's request, Trustor shall cause the tenants thereunder to execute a subordination, nondisturbance, and attornment agreement and estoppel certificate in favor of Beneficiary in form and substance satisfactory to Beneficiary and immediately thereafter deliver such agreement and certificate to Beneficiary.

3.3 Restrictions upon Transfer Due on Sale. In the event that any interest of Trustor in the Property or the Collateral, or any part thereof, is sold, agreed to be sold, conveyed, encumbered or otherwise transferred by Trustor, whether by operation of law or otherwise, the Bond and any other indebtedness secured hereby, at the option of Beneficiary and without demand or notice, shall immediately become due and payable. For the purposes hereof, any change in the identity, structure, management, nature or control of Trustor, whether by way of a change in the identity of any general partner, member or shareholder of Trustor or a change in the ownership or control of Trustor or any general partner, member or shareholder of Trustor, by merger or otherwise, shall be deemed a transfer hereunder.

3.4 Additional Encumbrances. During the term of the Bond, no additional financing is to encumber the Real Property. Discovery of such financing shall constitute an Event of Default and shall, at Lender's option, cause the entire outstanding principal and accrued interest to be due and payable.

3.5 Protection of Security. If Trustor fails to perform or observe any term, condition or provision of this Deed of Trust, Beneficiary, or Trustee upon written instructions from Beneficiary may, without notice to or demand upon Trustor, without releasing Trustor from any obligation hereunder and without waiving its right to declare a default as herein provided or impairing any declaration of default or election to cause the Property to be sold or any sale proceeding predicated thereon:

(a) Take action in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary and Trustee being authorized to enter upon and take possession of the Property for such purposes;

(b) Commence, appear in and/or defend any action or proceedings purporting to affect the security hereof, and/or any additional or other security therefor, the interests, rights, powers and/or duties of Trustee and/or Beneficiary hereunder, whether brought by or against Trustor, Trustee or Beneficiary;

(c) Pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of either may affect or appear to affect the security and/or priority of this Deed of Trust, the interest of Beneficiary or the rights, powers and/or duties of Trustee and/or Beneficiary hereunder; and

(d) Beneficiary is authorized, either by itself or by its agents to be appointed by it for that purpose, or by a receiver appointed by a court of competent jurisdiction, to enter into and upon and take and hold possession of any portion or all of the Property and/or the Collateral, both real and personal, and exclude Trustor and all other persons therefrom; to operate and manage the Property and/or the Collateral and rent and lease the same, perform such

reasonable acts of repair or protection as may be reasonably necessary or proper to conserve the value thereof, and collect any and all income, rents, issues, profits and proceeds therefrom; and, from time to time apply and/or accumulate such income, rents, issues, profits and proceeds in such order and manner as Beneficiary or such receiver in its sole discretion shall consider advisable to the following: the expense of receivership, if any; the proper costs of upkeep, maintenance, repair and/or operation of the Property and/or the Collateral; the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust upon the indebtedness secured hereby; the taxes and assessments upon the Property and/or Collateral then due or next to become due; and/or upon the unpaid principal of such indebtedness and/or interest thereon. The collection and/or receipt of income, rents, issues, profits and/or proceeds by Beneficiary after declaration of default and election to cause the Property to be sold under and pursuant to the terms of this Deed of Trust, shall not affect or impair such default or declaration of default or election to cause the Property to be sold or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt and/or collection of any such income, rents, issues, profits and/or proceeds. Any such income, rents, issues, profits and/or proceeds in the possession of Beneficiary at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

Neither Trustee nor Beneficiary shall be under any obligation to make any of the payments or do any of the acts referred to in this Section and any of the actions referred to in this Section may be taken by Beneficiary irrespective of whether any notice of default or election to sell has been given hereunder and without regard to the adequacy of the security for the indebtedness secured hereby.

3.6 Indemnity. Trustor agrees to indemnify, protect, hold harmless and defend Trustee and Beneficiary from and against any and all losses, liabilities, suits, judgments, claims, costs and expenses (including attorneys' fees and disbursements) which may be imposed on, incurred or paid by or asserted against Trustee and/or Beneficiary by reason or on account of, or in connection with: (a) any willful misconduct of Trustor or any default or Event of Default by Trustor hereunder; (b) the construction, reconstruction or alteration of the Property; (c) any negligence of Trustor or any negligence or willful misconduct of any lessee or sublessee of the Property, or any of their respective agents, contractors, subcontractors, servants, employees, licensees or invitees; (d) any accident, injury, death or damage to any person or property occurring in, on or about the Property or any street, driveway, sidewalk, curb or passageway adjacent thereto, except for the willful misconduct or gross negligence of the indemnified person; or (e) any action or proceeding to enforce this indemnity. Any amount payable to Trustee or Beneficiary under this Section shall be due and payable within ten (10) days after demand therefor and receipt by Trustor of a statement from Trustee and/or Beneficiary setting forth in reasonable detail the amount claimed and the basis therefor. Notwithstanding the foregoing, Trustee and Beneficiary, in their discretion, if either or both of them disapprove of the attorneys provided by Trustor or Trustor's insurance carrier, may engage their own attorneys to resist or defend, or assist therein, and Trustor shall pay or, on demand, shall reimburse Trustee and Beneficiary for the payment of the reasonable fees and disbursements of said attorneys.

3.7 Assignment of Leases and Rents. Trustor hereby grants, transfers and assigns to Beneficiary a security interest in all of Trustor's right, title and interest in and to (i) all leases of the Property, or any portion thereof, and (ii) all rents, income, receipts, revenues, issues, royalties and profits now due, past due, or which may hereafter become due or to which Trustor may now or shall hereafter become entitled, or may demand or claim, arising or issuing from the leases (including all prepaid rents, security deposits, guaranties and other security for the performance of the obligations of the tenants thereunder) or the Property or any part of the Property, together with any rights Trustor may have with respect to loss of rents, income, receipts, revenues, issues, royalties and profits resulting from the untenability or unsuitability of the Property (collectively, the "Rents"). The within security interest in Leases and Rents is absolute and shall secure all of the obligations hereof. It is further agreed:

(a) In the Event of Default. Upon default with respect to the payment of any indebtedness secured hereby or in the performance of any of the other obligations secured hereby or any other agreement hereunder, Beneficiary may, without notice and without regard to the adequacy of any security for the indebtedness hereby secured, do any one or more of the following in any order and at any time in its sole discretion: (i) obtain the appointment of a receiver by a court; (ii) obtain possession or control of the Property and/or the Rents by any means available under the law; (iii) deliver to any one or more of the tenants occupying or using all or any part of the Property a written demand for the turnover or payment of Rents; (iv) deliver to Trustor a written demand for the Rents; and/or (v) otherwise enforce the within security interest in the Leases and Rents by any means permitted by law. Unless and until Trustor is in Default hereunder, Trustor may collect and use the Rents for the benefit of Beneficiary and Trustor,

and Trustor shall apply the Rents as collected first to the payment of any obligations secured hereby then due, and thereafter to the account of Trustor; provided, however, that Trustor's right to collect Rents is not intended and shall not be construed to grant to Trustor the right to use any Rents as cash collateral after a bankruptcy proceeding involving Trustor has commenced. Trustor agrees to deliver the original copies of all leases and related rent rolls to Beneficiary upon request and not to impair, impede or otherwise interfere with any action undertaken by Beneficiary pursuant hereto.

(b) Right to Receive Payments. Upon a default by Trustor, Beneficiary shall have the right to receive, endorse, assign, deposit and deliver, in Beneficiary's name or in the name of Trustor, any and all checks, notes, drafts and other instruments for the payment of any Rents. Trustor hereby authorizes Beneficiary to affix, by facsimile signature or otherwise, the general or special endorsement of Trustor to any such instrument in the event the same is delivered to Beneficiary without appropriate endorsement, and Beneficiary and any collecting bank are hereby authorized to consider such endorsement to be a sufficient, valid and effective endorsement by Trustor to the same extent as though it were manually executed by a duly authorized officer of Trustor regardless of by whom or under what circumstances or by what authority such facsimile signature or other endorsement is actually affixed, without duty of inquiry or responsibility as to such matters.

(c) Application of Rents. If Beneficiary collects any Rents other than by a receiver appointed by a court, and Trustor (or any other person who holds or claims an assignment of the Rents which is subordinate to the security interest contained herein) makes a proper demand in writing that Beneficiary pay therefrom certain costs to protect or preserve the Property, such as the payment of property taxes or hazard insurance, Beneficiary shall apply any such collected Rents only to such costs as Beneficiary, in its sole discretion, deems to be reasonable for such purposes. Application of any collected Rents to any such costs: (i) shall not cause Beneficiary to be deemed a mortgagee in possession; (ii) shall not be construed to require Beneficiary to operate or manage the Property or otherwise be obligated, responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment, operation or condition of all or any portion thereof; (iii) shall not require Beneficiary to apply any funds other than collected Rents to pay such costs; and (iv) to the extent any collected Rents are applied to such costs, shall relieve Beneficiary from any obligation to apply such collected Rents to the obligations secured hereby. If Beneficiary disputes the reasonableness of any such written demand or otherwise determines that any issues relating to the protection and preservation of the Property should be addressed by a receiver, Beneficiary, in its sole discretion, without notice or consent, may seek the appointment of a receiver by a court in lieu of paying any costs in response to such written demand. Beneficiary shall have no obligation to comply with any demand which is not set forth in a writing addressed to Beneficiary.

#### **4. DEFAULTS; REMEDIES**

4.1 Events of Default. The occurrence of any of the following events shall be an "Event of Default" under this Deed of Trust:

(a) Trustor fails to pay, as and when payment is due, the principal sum of the Bond or any other promissory note or instrument secured hereby, or any interest thereon, or any installment, fee, charge or other sum payable thereunder or under this Deed of Trust and such failure continues for more than ten (10) days after Beneficiary gives notice thereof to Trustor; or

(b) Trustor fails to perform, as and when performance is due, any other covenant or agreement of Trustor in this Deed of Trust or the Letter Agreement dated as of April 1, 2019 between Trustor and Beneficiary, and such failure continues for more than ninety (90) days after Beneficiary gives notice thereof to Trustor; or

(c) Any representation or warranty of Trustor herein or in the Bond Purchase Agreement dated March \_\_, 2019 between Trustor and Beneficiary shall prove to be incorrect, false or misleading in any material respect when made; or

(d) Any default (following the expiration of any applicable grace or cure period) in the payment or performance of any obligation, or any defined event of default, under any provisions of the Bond or any other contract, instrument or document executed in connection with, or with respect to, any Secured Obligation.

## 4.2 Remedies.

(a) Acceleration and Foreclosure. Upon the occurrence of an Event of Default, Beneficiary may declare all sums secured hereby immediately due and payable, and Beneficiary may commence an action to foreclose this Deed of Trust as a mortgage, or deliver to Trustee of a written declaration of default and demand for sale and of written notice of default and of election to cause the Property to be sold, which notice Trustee shall cause to be duly filed for record in case of foreclosure by exercise of the power of sale herein. Should Beneficiary elect to foreclose by exercise of the power of sale herein, Beneficiary shall also deposit with Trustee this Deed of Trust, the Bond and such receipts and evidence of expenditures made and secured hereby as Trustee may require, and notice of sale having been given as then required by law and after lapse of such time as may then be required by law after recordation of such notice of default, Trustee, without demand on Trustor, shall sell the Property at the time and place of sale fixed by Beneficiary in said notice of sale, either as a whole or in separate parcels, and in such order as Beneficiary may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Neither Trustor nor any other person or entity other than Beneficiary shall have the right to direct the order in which the Property is sold. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed or deeds conveying the Property, or any portion thereof, so sold, but without any covenant or warranty, express or implied. Any person, including Trustor, Trustee or Beneficiary, may purchase at such sale.

(b) Proceeds of Sale. After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of appraisal and evidence of title in connection with sale and attorneys' fees, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest as provided in the Bond; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(c) Remedies Cumulative. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Every power or remedy given by this instrument to Trustee or Beneficiary or to which either of them may be otherwise entitled may be exercised concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary, and either of them may pursue inconsistent remedies. No delay or omission of Trustee or Beneficiary to exercise any right or power accruing upon any Event of Default shall impair any right or power or shall be construed to be a waiver of any Event of Default or any acquiescence therein; and every power and remedy may be exercised from time to time as often as may be deemed appropriate by Trustee or Beneficiary.

## 5. **COLLATERAL**

5.1 Beneficiary's Rights as a Secured Party. With respect to the security interests granted herein, Beneficiary shall have all the rights and remedies granted to a secured party under Division 9 of the California Commercial Code as well as all other rights and remedies available at law. Trustor shall, upon the demand of Beneficiary, assemble all of such Collateral and make it available to Beneficiary at the Property, which is hereby agreed to be reasonably convenient to Beneficiary and Trustee. The proceeds of any sale of any portion of the Collateral shall be applied first to the expenses of Beneficiary in retaking, holding, preparing for sale, selling or similar matters, including reasonable attorneys' fees. Any sale proceeds which are applied against principal indebtedness shall, to the extent not repaying all indebtedness in full, be applied to principal in the reverse order of maturity.

5.2 Trustor's Collections. Until Beneficiary exercises its right to collect proceeds of the Collateral pursuant hereto, Trustor will collect with diligence any and all proceeds of the Collateral. Any proceeds received by Trustor shall be in trust for Beneficiary, and, upon written request by Beneficiary, Trustor shall keep all such collections separate and apart from all other funds and property so as to be capable of identification as the property of Beneficiary and shall deliver such collections at such time as Beneficiary may request to Beneficiary in the identical form received, properly endorsed or assigned when required to enable Beneficiary to complete collection thereof. Notwithstanding the foregoing to the contrary, provisions of this section shall only be applicable upon the occurrence of any Event of Default.

5.3 Trustor's Obligations Regarding Collateral. Trustor shall: (a) permit representatives of Beneficiary to inspect the Collateral and Trustor's books and records relating to the Collateral and make copies thereof and extracts therefrom and to arrange for verification of the amount of Collateral, under procedures acceptable to Beneficiary, directly with Trustor's debtors or otherwise at Trustor's expense; (b) promptly notify Beneficiary of any attachment or other legal process levied against any of the Collateral and any information received by Trustor relative to the Collateral, Trustor's debtors or other persons obligated in connection therewith, which may in any way affect the value of the Collateral or the rights and remedies of Beneficiary in respect thereto; (c) reimburse Beneficiary upon demand for any and all expenses, including reasonable attorneys' and accountants' fees incurred in collecting any sums payable by Trustor under any obligation secured hereby; (d) notify Beneficiary of each location at which the Collateral is or will be kept, and of any removal thereof to a new location, including without limitation each office of Trustor at which records relating to the Collateral are kept; (e) provide, maintain and deliver upon request to Beneficiary the policies of insurance the Collateral, and in the event Beneficiary takes possession of the Collateral, the insurance policy or policies and any unearned or returned premium thereon shall at the option of Beneficiary become the sole property of Beneficiary; and (f) do all acts necessary to maintain, preserve and protect all Collateral, keep all Collateral in good condition and repair and prevent any waste or unusual or unreasonable depreciation thereof.

5.4 Beneficiary's Collection of Proceeds. Beneficiary may, at any time, without prior notice to Trustor, collect proceeds of the Collateral and may give notice of assignment to any and all of Trustor's debtors, and Trustor does hereby irrevocably constitute and appoint Beneficiary its true and lawful attorney-in-fact to enforce, in Trustor's name or in Beneficiary's name or otherwise, all rights of Trustor in the Collateral and to do any and all things necessary and proper to carry out the purposes hereof; provided, however, Trustor shall have the right to collect, retain, use and enjoy such proceeds, subject to the terms hereof and the documents securing Trustor's obligations thereunder prior to the occurrence of any Event of Default. Trustor acknowledges and agrees that the power of attorney herein granted is coupled with an interest and shall not be revocable, and Beneficiary shall have the right to exercise this power of attorney upon any Event of Default hereunder or any of the documents securing Trustor's obligations thereunder. (Beneficiary shall promptly notify Trustor of any action taken by Beneficiary pursuant to this provision, but Beneficiary's failure to do so shall not invalidate any such act, affect any of Trustor's obligations to Beneficiary or give rise to any right, claim or defense on the part of Trustor.)

5.5 No Removal. No personal property covered by the security interest granted herein may be removed from the Property without the prior written consent of Beneficiary, unless Trustor shall concurrently replace such personal property with similar property of equivalent value on which Beneficiary has a valid first lien.

5.6 Financing Statements. If required by Beneficiary at any time during the term of this Deed of Trust, Trustor will execute and deliver to Beneficiary, in form satisfactory to Beneficiary, an additional security agreement and/or financing statement covering all personal property of Trustor which may at any time be furnished, placed on, or annexed or made appurtenant to the Property and used, useful or held for use in the operation of the improvements thereon. Trustor hereby authorizes Beneficiary to file financing statements and continuation statements with respect to the Collateral without the signature of Trustor.

## **6. WITH REGARD TO ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES, TRUSTOR AGREES:**

6.1 Definitions. As used in this Section, the following definitions shall apply:

(a) "Environmental Laws" shall mean all present and future federal, state and local laws, ordinances, rules and regulations now or hereafter in force, as amended from time to time, in any way relating to or regulating human health or safety, industrial hygiene or protection of the environment, and includes the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., the Clean Water Act, 33 U.S.C. § 1251, et seq., the Hazardous Substance Account Act, California Health and Safety Code § 25300, et seq., the Hazardous Waste Control Law, California Health and Safety Code § 117600, et seq., the Medical Waste Management Act, California Health and Safety Code § 25015, et seq., and the Porter-Cologne Water Quality Control Act, California Water Code § 13000, et seq., as now or hereafter amended.

(b) "Environmental Losses" shall mean any and all claims, demands, liabilities, causes of action, losses, damages, penalties, costs and expenses, and foreseeable and unforeseeable consequential damages, that are incurred,

realized and suffered by Beneficiary before a Transfer (including any decrease in the value or marketability of the Property, any restriction imposed on the ownership, development, occupancy, use or transferability of the Property and any expenses and costs incurred in connection with containment, closure, removal, repair, cleanup, restoration and remedial work, penalties, fines, response costs and attorneys' fees and costs), in any way arising from, relating to or connected with (i) any Release or threatened Release or the presence of Hazardous Substances in excess of permitted levels or requiring reporting, removal, remediation or other action under applicable Environmental Laws or judicial or common law in, on or under the Property or any nearby real property which could migrate to the Property, (ii) the use, production, manufacture, generation, treatment, handling, storage, transportation or disposal of Hazardous Substances in violation of any applicable Environmental Laws, (iii) the past or present operations and activities at, or use and occupancy of, the Property not in compliance with applicable Environmental Laws, (iv) any investigation, claim, demand, action, inquiry, order, hearing or proceeding by or before any governmental entity or other person relating to any of the conditions or matters described in clauses (i), (ii) or (iii), above, or (v) the breach or violation of any of Trustor's representations, warranties, covenants or undertakings hereunder.

(c) "Hazardous Substances" shall mean any substance or material that is described, designated or regulated as a toxic or hazardous substance, waste or material or a pollutant, waste or a contaminant, or words of similar import, in any of the Environmental Laws or California Code of Civil Procedure Section 736(f)(3).

(d) "Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment, including continuing migration, of Hazardous Substances into, onto or through the soil, surface water or groundwater of the Property, whether or not caused by, contributed to, permitted by, acquiesced to or known to Trustor.

(e) "Transfer" shall mean either (i) the transfer of title to all or any part of the Property to Beneficiary or its affiliate, successor or assign by judicial or nonjudicial foreclosure or deed in lieu of foreclosure or otherwise or (ii) the satisfaction of all obligations secured by this Deed of Trust or the full or partial reconveyance of the lien of this Deed of Trust with respect to the portion of the Property covered by such reconveyance.

(f) "User" means any person other than Trustor who occupies, uses or comes onto or has occupied, used or come onto the Property or any part thereof and any agent or contractor of such a person.

6.2 Representations and Warranties. Trustor represents and warrants to Beneficiary that as of the date of this Deed of Trust (i) (A) based on of Trustor's knowledge, no Hazardous Substances in excess of permitted levels or requiring reporting, removal, remediation or other action under applicable Environmental Laws or judicial or common law are present in, on or under the Property or any nearby real property which could migrate to the Property, (B) neither Trustor nor, based on Trustor's knowledge, any User, has ever used the Property or any part thereof for the use, production, manufacture, generation, treatment, handling, storage, transportation or disposal of Hazardous Substances in violation of any applicable Environmental Laws, (C) based on Trustor's knowledge, no underground storage tanks, impoundments, holding ponds or similar structures of any kind are or ever have been located in the Property, (D) no investigation, claim, demand, action, inquiry, order, hearing or proceeding of any kind relating to any Release or threatened Release or any past or present violation of any Environmental Laws relating to the Property has been made or commenced, or is pending, or based on Trustor's knowledge, is threatened, or may be threatened, by any governmental authority or other person, (E) all current operations and activities at, and the current use and occupancy of, the Property comply with all applicable Environmental Laws, and (F) based on Trustor's knowledge, the Property has not been, nor is within, 2,000 feet of any other property, designated as "hazardous waste property" or "border zone property" pursuant to California Health and Safety Code § 25220 et seq., and no proceedings for a determination of such a designation are pending or threatened and (ii) any written disclosure submitted by or on behalf of Trustor to Beneficiary concerning any Release or threatened Release, past or present compliance by Trustor, User or any other person of any Environmental Laws applicable to the Property, the past and present use and occupancy of the Property, any environmental concerns relating to the Property or the like was true and complete when submitted.

6.3 Covenants. Trustor agrees at all times that:

(a) Except in the ordinary course of business and in strict compliance with all applicable Environmental Laws, neither Trustor nor any User shall (i) use, produce, manufacture, generate, treat, handle, store, transport or dispose of any Hazardous Substances in, on or under the Property or (ii) cause, contribute to, permit or acquiesce to

any Release or threatened Release or other presence of Hazardous Substances in excess of permitted levels in, on or under the Property.

(b) Trustor shall comply fully, and shall cause every User to comply fully, with all Environmental Laws applicable to the Property, and all other laws, ordinances and regulations applicable to the use or occupancy thereof, or any operations or activities therein or thereon.

(c) To facilitate performance of Trustor's obligations hereunder, Trustor shall regularly inspect the Property, monitor the activities and operations of every User and confirm that every User has obtained and fully complies with all permits, licenses and approvals required by all applicable Environmental Laws.

(d) Immediately after Trustor obtains any information indicating any Release or threatened Release or other presence of Hazardous Substances on, in or under the Property in excess of permitted levels or requiring reporting, removal, remediation or other action, or that Hazardous Substances in, on or under any nearby property could migrate to the Property or that a violation of any Environmental Laws has occurred or could occur regarding the Property or any other event, occurrence or condition has resulted or could result in Environmental Losses, Trustor shall give notice thereof to Beneficiary with a reasonably detailed description of the event, occurrence or condition in question.

(e) Trustor shall immediately furnish to Beneficiary copies of all written communications received by Trustor from any governmental authority or other person or given by Trustor to any person concerning any matter described herein and any other information Beneficiary may reasonably request.

(f) If Beneficiary obtains any information that Beneficiary believes in good faith indicates a reasonable possibility of a Release or threatened Release or other presence of Hazardous Substances on, in or under the Property in excess of permitted levels or requiring reporting, removal, remediation or other action, or that Hazardous Substances in, on or under any nearby real property could migrate to the Property or that any violation of any Environmental Laws has occurred or could occur regarding the Property or any other event, occurrence or condition has resulted or could result in Environmental Losses, then Trustor shall, at the expense of Trustor, promptly after a request by Beneficiary, engage a qualified environmental engineer to investigate such matters and prepare and submit to Beneficiary a written report containing the findings and conclusions resulting from such investigation. The environmental engineer who will prepare the report, the scope of the investigation to be undertaken (which may include building materials, soil and groundwater sampling) and the methodology to be used shall be subject to the prior approval of Beneficiary.

(g) Beneficiary (and its agents and representatives) shall have the right at all reasonable times and except in an emergency, after reasonable prior notice, to inspect the Property and every part thereof (including the taking of building materials, soil and groundwater samples) and to review all books, records and files of Trustor relating to the existence, nature and location of any Hazardous Substance on, in or under the Property, any Release or threatened Release and compliance by Trustor and every User of any Environmental Laws relating to the Property. Trustor shall give Beneficiary (and its agents and representatives) access to the Property and every part thereof at all reasonable times after reasonable notice, and at any time in an emergency without reasonable notice, for such purposes. Trustor acknowledges that all inspections and reviews undertaken by Beneficiary are solely for the benefit and protection of Beneficiary and agrees that Beneficiary shall have no duty to Trustor with respect to Hazardous Substances or Environmental Laws as a result of any such inspections or reviews.

(h) Beneficiary may, at its sole discretion, communicate with any governmental authority regarding any fact or reasonable belief of Beneficiary that constitutes or could constitute a breach of any of Trustor's obligations under this section if Beneficiary reasonably believes or cannot reasonably confirm that Trustor has complied with all applicable reporting and other disclosure requirements under applicable Environmental Laws.

6.4 Notice and Remediation. If before a Transfer there is a Release or threatened Release or other presence of Hazardous Substances on, in or under the Property in excess of permitted levels or requiring reporting, removal, remediation or other action or a violation of any Environmental Laws regarding the Property or any other event, occurrence or condition that has resulted or could result in Environmental Losses, Trustor shall immediately give notice of the event, occurrence or condition to Beneficiary, and Trustor shall take all appropriate and legally required measures to report and correct or abate the condition or violation of law, including measures to remediate the Release or threatened Release and cause all Hazardous

Substances to be cleaned up and removed from the Property, and the Property to be restored, in compliance with all applicable Environmental Laws (the "Remediation Work"). If requested by Beneficiary, Trustor shall submit to Beneficiary, for Beneficiary's prior approval, complete plans and specifications for all Remediation Work to be done before any Remediation Work is performed, except in an emergency. Trustor shall cause all Remediation Work to be performed in a good and workmanlike manner by a qualified licensed contractor approved in writing by Beneficiary, under the supervision of a qualified environmental engineer approved in writing by Beneficiary, in accordance with the plans and specifications for the Remediation Work approved in writing by Beneficiary, and in compliance with all applicable Environmental Laws and other applicable laws, ordinances, rules and regulations. Trustor shall cause all required permits, licenses and approvals for the Remediation Work to be obtained and the Remediation Work to be prosecuted diligently and be completed in a timely manner. Trustor shall pay for all Remediation Work, including the cost of plans and specifications, utilities, permits, fees, taxes and insurance premiums in connection therewith. Trustor shall, on demand, pay to Beneficiary all direct costs and reimburse Beneficiary for all expenses reasonably incurred by Beneficiary in connection with any review, approval or inspection by Beneficiary relating to any Remediation Work, together with interest thereon after such demand at the highest annual interest rate after maturity or default as applicable to the obligations secured hereby. Under no circumstances shall Beneficiary be liable to Trustor for any damage, loss, cost or expense incurred by Trustor on account of any plans and specifications for the Remediation Work, the performance of any Remediation Work or any delay in completion of any Remediation Work. Beneficiary shall have the right, but not any obligation, to participate in any action or proceeding relating to any Release or threatened Release or any past or present violation of any Environmental Laws relating to the Property or the necessity for or adequacy of any Remediation Work.

6.5 Options on Default. If any default occurs under this Deed of Trust, Beneficiary shall have the right, but not any obligation, at the sole expense of Trustor, at any time before the completion of a judicial or nonjudicial foreclosure sale under this Deed of Trust, to have a comprehensive environmental assessment of the Property, including building materials, soil and groundwater sampling, and in scope satisfactory to Beneficiary, prepared by an engineer selected by Beneficiary in order to ascertain whether any Hazardous Substances are present in, on or under the Property or in, on or under any nearby property which could migrate to the Property, the existence, nature and location of any Release or threatened Release or the violation of any Environmental Laws relating to the Property. Trustor shall, on demand, pay to Beneficiary all sums expended by Beneficiary in connection with any such comprehensive environmental assessment, together with interest thereon after such demand at the highest annual interest rate after maturity or default as applicable to the obligations secured hereby.

6.6 Performance of Obligations. If Trustor fails to perform any obligation of Trustor in accordance with this Section, Beneficiary may seek to enforce or compel performance of any or all such obligations and also shall have the right, but not any obligation, to perform any such obligation on behalf of Trustor, at Trustor's sole expense. Trustor shall, on demand, pay to Beneficiary all sums expended by Beneficiary for the enforcement or the performance of any such obligations of Trustor, together with interest thereon after such demand at the highest annual interest rate after maturity or default as applicable to the obligations secured hereby.

6.7 Indemnity. Trustor shall indemnify and hold Beneficiary (including its directors, officers, employees, agents, representatives, affiliates and successors and assigns) harmless from and against any and all Environmental Losses incurred, realized and suffered by Beneficiary before a Transfer.

6.8 Nature of Obligations. Trustor agrees that Trustor's obligations under this section: (i) are separate, independent of, and in addition to its obligations pursuant to this Deed of Trust and any and all other documents, agreements and undertakings executed by Trustor in connection with this Deed of Trust, (ii) are secured by this Deed of Trust, (iii) shall not be limited to or measured by the amount of the indebtedness or other obligations secured hereby, the value of the Property or by the operation of Civil Code Sections 580a, 580b, 580d or 726 and (iv) shall survive and be unaffected by a Transfer. Trustor further agrees that a separate action may be brought to enforce the provisions of this section which shall in no way be deemed to be an action on any other obligation secured by this Deed of Trust, whether or not Beneficiary would be entitled to a deficiency following a judicial or non-judicial foreclosure.

## 7. MISCELLANEOUS PROVISIONS

7.1 No Waiver. By accepting payment of any sum secured hereby after its due date or in an amount less than the sum due, Beneficiary does not waive its rights either to require prompt payment when due of all other sums so secured or to declare a default as herein provided for failure to pay the total sum due.

7.2 Trustee's Powers. At any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Bond for endorsement, and without affecting the personal liability of any person for payment of all or any portion of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of the Property, Trustee may: reconvey any part of the Property; consent in writing to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

7.3 Beneficiary's Right to Enter, Inspect and Cure. Beneficiary is authorized, by itself, its contractors, agents, employees or workmen, to enter at any reasonable time upon any part of the Property for the purpose of inspecting the same, and for the purpose of performing any of the acts it is authorized to perform under the terms of this Deed of Trust.

7.4 Successors and Assigns. Subject to the limitations herein, this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

7.5 Severability. If any provision hereof should be held unenforceable or void, then such provision shall be deemed separable from the remaining provisions and shall in no way affect the validity of this Deed of Trust.

7.6 No Obligation to Notify. Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which Trustor, Beneficiary and/or Trustee shall be a party, unless brought by Trustee, or of any pending sale under any other deed of trust.

7.7 Substitution of Trustee. Beneficiary may, from time to time, by a written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Property is located, substitute a successor or successors for the Trustee named herein or acting hereunder.

7.8 Waiver of Statute of Limitations. The right to plead any and all statutes of limitation as a defense to any demand secured by this Deed of Trust is hereby waived to the fullest extent permitted by law.

7.9 Trustor Waiver of Rights. Trustor waives, to the extent permitted by law: (a) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisal before sale of any portion of the Property; (b) all rights and remedies which Trustor may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties; and (c) all rights of valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created; provided, however, nothing contained herein shall be deemed to be a waiver of Trustor's rights under Section 2924c of the California Civil Code.

8.1 7.10 Notices. All notices and demands expressly provided hereunder to be given by Beneficiary to Trustor and all notices, demands and other communications of any kind or nature whatever which Trustor may be required or may desire to give to or serve on Beneficiary shall be in writing and shall be properly given only if made in writing and (a) delivered in person, in which event the notice shall be deemed received when delivery is actually made; (b) telecopied, in which event the notice shall be deemed received on the date of transmission if transmission is confirmed before 4:00 p.m. Pacific Time on a business day or if transmission is confirmed after 4:00 p.m. Pacific Time, then on the next business day provided that the electronic confirmation of receipt and copy of such notice is also delivered pursuant to clause (a), (c) or (d); (c) sent by overnight courier for next business day delivery, in which event the notice shall be deemed received on the first business day after delivery to, and acceptance for delivery by, the courier; or (d) sent by registered mail or certified mail, postage prepaid, return receipt requested, through the united states postal service, in which event the notice shall be deemed received at the time of personal delivery or on the first attempted delivery on a business day. If any notice is refused, the notice shall be deemed to have been delivered upon such refusal. The appropriate addresses of the parties are as follows:

To Beneficiary: Farmers & Merchants Bank of Central California  
121 West Pine Street  
P.O. Box 3000  
Lodi, CA 95240  
Attn: Loan Center Manager

To Trustor:       Housing Authority of the County of Merced  
                      405 U Street  
                      Merced, CA 95341  
                      ATTENTION: Executive Director

7.11    Notice to Trustor. Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the address set forth above.

7.12    Full Reconveyance. Upon written request of Beneficiary stating that all sums secured hereby have been paid and upon surrender to Trustee of this Deed of Trust and the Bond for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in 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.”

7.13    Releases, Extensions, Modifications and Additional Security. Without affecting the liability or obligations of any person, including Trustor, for the performance of any obligations secured hereby (excepting only any person or property otherwise expressly released in writing by Beneficiary), Beneficiary may, from time to time and without notice, release any person liable for payment of any of said indebtedness or the performance of any of said obligations, extend the time of payment or otherwise alter the terms of any of said obligations, accept additional security therefor of any kind, including trust deeds or mortgages, or alter, substitute or release any property securing said obligations.

7.14    Headings. The headings of each paragraph are for convenience only and shall be disregarded in construing this Deed of Trust.

7.15    Sale of Participation. Beneficiary may, at any time, sell, transfer, assign the Bond secured hereby or grant participations herein and in any and all notes and other obligations secured hereby, and Beneficiary may forward to each purchaser, prospective purchaser, participant and prospective participant all documents and information which Beneficiary now has or later may acquire relating to those obligations and to Trustor, and any partners, joint venturers or members of Trustor, whether furnished by Trustor or otherwise, as Beneficiary determines necessary or desirable.

7.16    Governing Law. This Deed of Trust shall be construed and enforced in accordance with the laws of the State of California.

7.17    Attorneys’ Fees. In the event of any action or proceeding to enforce or interpret Beneficiary’s rights or Trustor’s obligations hereunder, Beneficiary shall be entitled to reimbursement from Trustor of all costs and expenses associated with said action or proceeding, including reasonable attorneys fees, whether or not a lawsuit is filed or such fees, expenses and costs are incurred in any bankruptcy or other proceeding or on appeal or for any post-judgment collection actions or services.

7.18    Further Assurances. Trustor agrees to execute, acknowledge and deliver such documents and take such action as Beneficiary shall determine to be necessary or desirable to further evidence, perfect or continue the perfection and/or the priority of the lien and security interest granted by Trustor herein.

The ADDENDUM TO DEED OF TRUST, SECURITY AGREEMENT, FIXTURE FILING AND ASSIGNMENT OF LEASES AND RENTS of even date herewith is attached hereto and made a part hereof.

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents as of the day first written above.

HOUSING AUTHORITY OF THE COUNTY OF MERCED,  
a public body corporate and politic

BY: \_\_\_\_\_  
ROSA VASQUEZ, EXECUTIVE DIRECTOR

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            )  
  ) ss.  
County of \_\_\_\_\_)

On \_\_\_\_\_ before me, \_\_\_\_\_, 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  
LAND

**ADDENDUM TO DEED OF TRUST, SECURITY AGREEMENT, FIXTURE  
FILING AND ASSIGNMENT OF LEASES AND RENTS BY THE  
HOUSING AUTHORITY OF THE COUNTY OF MERCED, AS TRUSTOR,  
IN FAVOR OF FARMERS/MERCHANTS CORP., AS TRUSTEE, AND  
FARMERS & MERCHANTS BANK OF CENTRAL CALIFORNIA, AS BENEFICIARY**

The following is added to the Deed of Trust referred to above:

1. Transfer of Bond. The registration of the Housing Authority of the County of Merced Mortgage Secured Housing Bond (Pooled Financing), Series 2019A secured by this Deed of Trust (herein the "Bond") may, in accordance with its terms, be transferred in whole, subject to the consent of the Trustor, upon the books required to be kept hereunder, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond to the Trustor for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustor and duly executed.

Whenever the Bond shall be surrendered for transfer, the Trustor shall execute, authenticate and deliver a new bond for like aggregate principal amount, less any principal amounts previously paid.

The Trustor will keep, at its principal office in Merced, California, sufficient books for the registration and transfer of the Bond, which shall at all times during normal business hours be open to inspection as a public record; and upon presentation for such purpose, the Trustor shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bond as herein before provided.

2. Expenditure of Bond Proceeds. The Trustor will use a portion of the proceeds of the Bond to prepay a loan (the "2003 Loan") made to it pursuant to a Loan Agreement, dated as of February 1, 2003, among the Trustor, the California Affordable Housing Agency (formerly known as the Affordable Housing Agency), The Bank of New York Mellon Trust Company, N.A., successor in interest to J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), to prepay a loan (the "2007 Loan") made to it pursuant to a Loan Agreement, dated as of March 1, 2007, among the Trustor, the California Affordable Housing Agency and the Trustee, and to pay the costs of issuance of the Bond. The Trustor will use the remaining proceeds of the Bond and any investment earnings thereon to rehabilitate one or more of the projects financed or refinanced, as applicable, with proceeds of the 2003 Loan or the 2007 Loan, with all such amounts to be expended for such purpose by April 1, 2022.

3. No Arbitrage. The Trustor shall not take, nor permit nor suffer to be taken by others, any action with respect to the proceeds of the Bond which, if such action had been reasonably expected to have been taken, or had been deliberately or intentionally taken, on the date of the issuance of the Bond, would have caused the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, and the regulations of the Internal Revenue Service promulgated thereunder.

4. Rebate of Excess Investment Earnings to Federal Government. The Trustor will take all actions necessary to assure compliance with section 148(f) of the Internal Revenue Code of 1986 and regulations thereunder relating to rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bond.

5. Federal Guarantee Prohibition. The Trustor shall take no action nor permit nor suffer any action to be taken if the result of the same would be to cause the Bond to be "federally guaranteed" within the meaning of section 149(b) of the Internal Revenue Code of 1986.

6. Private Activity Prohibitions. The Trustor shall assure that the proceeds of the Bond are not so used as to cause the Bond to satisfy the private business tests of section 141(b), or the private loan financing test of section 141(c), of the Internal Revenue Code of 1986.

7. Maintenance of Tax-Exemption. The Trustor shall take all actions necessary to assure the exclusion of interest on the Bond from the gross income of the owner of the Bond to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bond. In furtherance of the foregoing, the Trustor will take all actions required of it under the Certificate as to Arbitrage (and Post-Issuance Tax Compliance Procedures), of the Trustor, dated April \_\_, 2019, to so assure the exclusion of interest on the Bond from the gross income of the owner of the Bond to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bond.

8. Small Issuer Exemption from Bank Nondeductibility Restriction. The Trustor hereby designates the Bond for purposes of paragraph (3) of section 265(b) of the Internal Revenue Code of 1986 and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Internal Revenue Code of 1986) from gross income for federal income tax purposes (excluding (a) private activity bonds, as defined in section 141 of the Internal Revenue Code of 1986, except qualified 501(c)(3) bonds as defined in section 145 of the Internal Revenue Code of 1986, and (b) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the obligation being refunded), including the Bond, has been or will be issued by the Trustor, including all subordinate entities of the Trustor, during the calendar year 2019.

9. Waiver of Personal Liability. Neither the Commissioners of the Trustor nor any person executing the Bond is liable personally on the Bond or subject to any personal liability or accountability by reason of its issuance. The Bond is not a debt of the County of Merced, the State of California, or any of its political subdivisions and neither are they liable on the Bond, nor is the Bond payable out of any funds or properties other than those of the Trustor. The Bond does not constitute indebtedness within the meaning of any constitutional or statutory debt limitation.

10. Due on Sale. In the event the property described herein, or any part thereof, or any interest therein, is sold, conveyed, alienated, assigned, or otherwise transferred by the Trustor, or by the operation of law or otherwise, all obligations secured by this instrument, irrespective of the maturity date expressed in the Bond, at the option of the registered owner of the Bond, and without demand or notice, shall immediately become due and payable, except as prohibited by California Civil Code Section 2924.5, or other applicable law. Beneficiary reserves the right to withhold the approval of any assumption of the Bond secured hereby by another party. No assumption of the Bond shall be made without the prior written approval of the Beneficiary.

HOUSING AUTHORITY OF THE  
COUNTY OF MERCED

By: \_\_\_\_\_  
Rosa Vasquez,  
Executive Director



As of April 1, 2019

Housing Authority of the County of Merced  
405 U Street  
Merced, CA 95341

Attention: Rosa Vasquez  
Executive Director

**Re: HOUSING AUTHORITY OF THE COUNTY OF MERCED  
MORTGAGE SECURED HOUSING BOND  
(POOLED FINANCING), SERIES 2019A**

Dear Ms. Vasquez:

As you know, Farmers & Merchants Bank of Central California (“Bank”) has agreed to purchase the Housing Authority of the County of Merced Mortgage Revenue Housing Bond (Pooled Financing), Series 2019A (the “Bond”) subject to the terms and conditions of this letter agreement (the “Agreement”).

ARTICLE 1 Certain Definitions

1.1 Defined Terms. As used in this Agreement and the attached exhibits, the following terms shall have the meanings set forth below.

“Borrower” shall mean the Housing Authority of the County of Merced.

“Deed of Trust” shall mean the Deed of Trust, Security Agreement, Fixture Filing and Assignment of Rents and Leases dated as of \_\_\_\_\_ 1, 2019 executed by Borrower for the benefit of Bank, together with the Addendum thereto, executed by Borrower.

“Financing Documents” shall mean, collectively, the Bond, the Deed of Trust, the Bond Purchase Agreement dated as of April 1, 2019 between the Bank and the Borrower, and all other certificates, resolutions, assignments, consents, documents, instruments and agreements of Borrower required by Bank pursuant to this Agreement or by any other Financing Documents

during the term of the Bond, in each case as the same may be modified, amended or supplemented from time to time.

ARTICLE 2 Purchase of the Bond and Disbursement of Bond Proceeds

2.1 Commitment. Bank agrees to purchase the Bond on the terms and conditions stated herein and in the Financing Documents for a purchase price equal to \$ \_\_\_\_\_, which amount shall be repaid by Borrower and shall be due and payable as provided in the Bond.

2.2 Bank Fee and Origination Costs. On the date the Bank purchases the Bond (the "Closing Date), Borrower shall pay to Bank a nonrefundable fee of \$ \_\_\_\_\_ (the "Bank Fee") as well as all appraisal fees, environmental fees and costs, escrow fees, recording and filing fees, and the costs and fees of Bank's attorneys incurred by Bank in connection with the origination, negotiation, documentation and closing of the purchase of the Bond (the "Origination Costs"). The Bank Fee and other Origination Costs shall be withheld from the purchase price of the Bond on the Closing Date.

2.3 Security. All obligations to Borrower hereunder and under the Financing Documents shall be secured by the Deed of Trust.

2.4 Payments of Principal and Interest. The principal and interest on the Bond will be paid semiannually as provided in the Bond, such that all principal and accrued interest are paid in full on or before the final maturity date of the Bond. All principal and interest payments shall be made by auto-debit from Borrower's account with the Bank.

2.5 Conditions to Purchase. The obligation of the Bank to purchase the Bond is subject to the following conditions:

(i) Execution of Documents. The Bond, Deed of Trust and this letter agreement shall be fully executed and delivered to the Bank;

(ii) Evidence of Authority. The Borrower shall deliver the resolution of the governing board of the Borrower authorizing the execution and delivery of the Bond, the Deed of Trust and the transactions contemplated by this letter agreement;

(iii) Appraisal. The Bank shall have received an appraisal of the property subject to the Deed of Trust (the "Property"), meeting FIRREA standards, indicating an appraised value sufficient to demonstrate a loan to value of not more than 75%, approved by the Bank;

(iv) Environmental REview and Questionnaire. The Bank shall have received and approved an environmental review of the Property and an Environmental Questionnaire completed by the Borrower;

(v) Insurance. The Bank shall have received evidence of the insurance coverage, with lender's loss payable endorsements as required by the Agreement to Provide Insurance;

(vi) Title Insurance. The Bank shall have received a CLTA extended coverage lender's policy in the amount of \$\_\_\_\_\_ insuring the validity and priority of the Deed of Trust, subject only to liens and encumbrances approved by the Bank; and

(vii) Costs and Expenses. The Borrower shall have paid the Bank Fee and the Original Costs.

### ARTICLE 3 Certain Covenants

3.1 Expenses. Borrower shall pay to Bank, immediately upon demand, all costs and expenses incurred by Bank in connection with the administration of this Agreement and the other Financing Documents for the term of the Bond and the enforcement of Borrower's obligations under this Agreement and the other Financing Documents. Borrower agrees that Bank's costs and expenses shall include all appraisal fees, legal fees, accounting fees, environmental consultant fees, auditor fees, and title insurance premiums and survey costs incurred in compliance with the provisions of this Agreement and the other Financing Documents. Borrower agrees that Bank shall have the right, at Bank's option and at Borrower's expense, to require a formal written appraisal of the Property by an appraiser employed by Bank or a licensed independent appraiser pursuant to Bank's internal procedures or federal regulatory requirements on an annual or other basis. If any of the services described in this section are provided by an employee of Bank, Bank's costs and expenses for such services shall be calculated in accordance with Bank's standard charge for such services.

3.2 Financial Information. Borrower agrees to maintain a standard and modern system of accounting in accordance with governmental accounting standards and furnish or cause to be furnished to Bank:

- (a) audited annual financial statements of the Authority within 270 days after the end of the Fiscal Year;
- (b) quarterly interim financial statements of the Authority, within 45 days after the end of each fiscal quarter, or such other frequency as required by Bank;
- (c) annual proposed Authority budgets within 30 days after the adoption thereof;

Housing Authority of the County of Merced  
April 1, 2019

- (d) 90 days' prior notice of any intention to file a Chapter 9 bankruptcy proceeding; and
- (e) such additional information as the Bank shall reasonably request from time to time pursuant to written notice to the Authority.

Each financial statement, operating statement, rent roll and other documents submitted by Borrower to Bank pursuant to this Section 3.2 shall constitute a representation and warranty by the Borrower to Bank that to the best of Borrower's knowledge, such documents and all information contained therein are complete and accurate in all material respects. Borrower's obligations and Bank's rights under this paragraph are cumulative of Borrower's obligations and Bank's rights under the Deed of Trust. All financial reports shall be prepared in accordance with governmental accounting standards

3.3 Management of Property. Borrower shall not enter into any agreement providing for the management or operation of the Property without the prior written consent of Bank, which shall not be unreasonably delayed or withheld.

3.4 Financial Covenants. Borrower shall comply with all covenants, including without limitation, the financial covenant set forth in Exhibit B to the Bond Purchase Agreement, until the Bond is paid in full.

3.5 Relationship of Parties. The relationship of Borrower and Bank under the Financing Documents is, and shall at all times remain, solely that of borrower and lender. No partnership, joint venture or fiduciary relationship of any kind or nature whatsoever exists or shall exist between Borrower and Bank, and Borrower and Bank are not members of any joint or common enterprise. Bank neither undertakes nor assumes any responsibility or duty to Borrower (except as expressly stated in the Financing Documents) or to any third party with respect to the Property or the Bond.

Please indicate your agreement with the terms and conditions set forth above by executing this letter agreement in the space provided below.

Sincerely,

Steve Haley  
Executive Vice President  
Chief Financial Officer

Housing Authority of the County of Merced  
April 1, 2019

Accepted and agreed:

Housing Authority of the County of Merced

By: \_\_\_\_\_  
Rosa Vasquez, Executive Director

**RESOLUTION NO. 2019-03**

**AUTHORIZING THE ISSUANCE AND DELIVERY OF A MORTGAGE SECURED HOUSING BOND, AUTHORIZING THE EXECUTION AND DELIVERY OF A DEED OF TRUST, AND APPROVING OTHER RELATED DOCUMENTS AND ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the “Act”) authorizes a housing authority to incur indebtedness for the purpose of financing housing projects to be owned by the authority and/or located within its area of operation; and

**WHEREAS**, pursuant to the provisions of the Act, the Housing Authority of the County of Merced (the “Authority”) has entered into a Loan Agreement, dated as of February 1, 2003 (the “2003 Loan Agreement”) with the California Affordable Housing Agency (the “Agency”) and J.P. Morgan Trust Company, National Association, as trustee, pursuant to which the Agency loaned (the “2003 Loan”) the proceeds of its Affordable Housing Agency Multifamily Housing Pool Revenue Bonds (Merced County Projects) Series 2003A in the original principal amount of \$3,385,000 (the “2003 Bonds”) to the Authority to enable the Authority to refinance and rehabilitate, as applicable, a 25-unit apartment facility located at 1663 Dora Street in Dos Palos, California, a 34-unit apartment facility located as 21227 South Reynolds Avenue in South Dos Palos, California, and a 14-unit apartment facility located at 1078 Sierra Vista Street in Atwater, California (collectively, the “2003 Projects”); and

**WHEREAS**, pursuant to the provisions of the Act, the Authority has entered into a Loan Agreement, dated as of March 1, 2007 (together with the 2003 Loan Agreement, the “Prior Loan Agreements”) with the Agency and The Bank of New York Mellon Trust Company, N.A., as trustee, pursuant to which the Agency loaned (together with the 2003 Loan, the “Prior Loans”) the proceeds of its California Affordable Housing Agency Multifamily Housing Pool Revenue Bonds (Housing Authority of the County of Merced Project – Oak Terrace Apartments) Series 2007B in the original principal amount of \$3,810,000 (together with the 2003 Bonds, the “Prior Bonds”) to the Authority to enable the Authority to refinance the acquisition of Oak Terrace Apartments (together with the 2003 Projects, the “Projects”); and

**WHEREAS**, the Prior Loans are subject to optional prepayment; and

**WHEREAS**, the Authority has obtained a commitment from Farmers & Merchants Bank of Central California (the “Bank”) to purchase a bond to be issued by the Authority (the “2019 Bond”) in order to provide funds to prepay the Prior Loans and thereby redeem the Prior Bonds, as well as provide funds for rehabilitation of one or more of the Projects or of other housing facilities owned by the Authority; and

**WHEREAS**, the Authority has determined that it is in its best interests to issue and sell the 2019 Bond to the Bank, and to use the proceeds of the 2019 Bond to prepay the Prior Loans and to provide funds to rehabilitate the Projects; and

**WHEREAS**, in connection with the issuance of the 2019 Bond, the Authority has caused to be prepared the 2019 Bond, a form of Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents securing the repayment of the Bond (together with an addendum thereto, the “Deed of Trust”), a bond purchase agreement specifying the terms of the sale of the 2019 Bond to the Bank (the “Bond Purchase Agreement”), a letter agreement containing certain requirements of the Bank related to its purchase of the 2019 Bond (the “Bank Agreement”), copies of which documents are on file with the Secretary; and

**WHEREAS**, it appears that each of said documents is in an appropriate form and each an appropriate document or instrument to be executed and delivered for the purposes intended.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Commissioners of the Housing Authority of the County of Merced as follows:

Section 1. Authorization of 2019 Bond. There is hereby authorized to be issued under the Act the 2019 Bond of the Authority designated as “Housing Authority of the County of Merced Mortgage Secured Housing Bond (Pooled Financing), Series 2019A”. The Bond may be issued as hereinafter provided in an initial principal amount not to exceed \$7,360,000.

The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2019 Bond and has found, as a result of such review, and hereby determines and declares that all conditions, things and acts required by law to exist, happen or be performed precedent to and in the issuance of the 2019 Bond exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is authorized, pursuant to each and every requirement of law, to issue the 2019 Bond in the manner provided in this Resolution.

Section 2. Issuance of 2019 Bond. The 2019 Bond, in the form presented at this meeting, is hereby approved. The Chairman of the Authority is hereby authorized and directed to execute, and the Clerk of the Board of Commissioners (the “Board”) is hereby directed to attest, the Bond on behalf of the Authority and to deliver the Bond in such form, together with such changes as may be approved by the Executive Director upon consultation with Bond Counsel, with the execution of the 2019 Bond by the Chairman to constitute conclusive evidence of the approval of all such changes. The sale of the 2019 Bond to the Bank is hereby approved, on the terms and subject to the provisions of the Bond Purchase Agreement.

Section 3. Approval of Other Bond Documents. The Deed of Trust, the Bond Purchase Agreement and the Bank Agreement (together, the “2019 Bond Documents”), in the

respective forms presented at this meeting, are hereby approved. The Executive Director of the Authority is hereby authorized and directed to execute the 2019 Bond Documents on behalf of the Authority and to deliver the 2019 Bond Documents in such forms, together with such changes as may be approved by the Executive Director upon consultation with General Counsel to the Authority and Bond Counsel, with the execution of the 2019 Bond Documents by the Executive Director to constitute conclusive evidence of the approval of any such changes.

Section 4. Payment of Costs of Issuance. The Executive Director is hereby authorized to use any lawfully available funds of the Authority to pay or cause to be paid the costs of issuance of the 2019 Bond, including but not limited to the “Bank Fee,” the fees and expenses of counsel to the Bank and the other “Origination Costs” referred to in Section 2.2 of the Bank Agreement, and the fees of Bond Counsel, the Authority’s Municipal Advisor and the Placement Agent.

Section 5. Official Action. All actions heretofore taken by the officers and agents of the Authority with respect to the issuance of the 2019 Bond and the execution and delivery of the 2019 Bond Documents are hereby approved, confirmed and ratified. The Executive Director, the Chairperson, the Secretary, the Treasurer and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all certificates, requisitions, agreements, subordinations and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the refinancing by the Authority of the Prior Loans, and as otherwise incident to the transactions contemplated by the 2019 Bond and the 2019 Bond Documents.

Section 6. Effective Date. This Resolution shall take effect immediately.

The foregoing Resolution was introduced at the March 28, 2019 Board meeting of the Board of Commissioners of the Housing Authority of the County of Merced and was adopted by the following vote:

Motion:

Second:

Ayes:

Nays:

Absent:

Abstain:

\_\_\_\_\_  
Chairperson, Board of Commissioners  
Housing Authority of the County of Merced

Date: March 28, 2019

## STAFF REPORT

**TO:** Board of Commissioners,  
Housing Authority of the County of Merced

**FROM:** Sue Speer, Director of Development and Asset Management

**DATE:** March 28, 2019

**SUBJECT:** Awarding a contract for agency-wide Landscape Maintenance Services contract to Green Horizon, Inc.

In order to remain compliant with Department of Housing and Urban Development (HUD) regulations and Procurement Policy, the Housing Authority of the County of Merced (Authority) must procure services no more than every five years. As such the Authority issued a Request for Proposals (RFP) to procure for Landscape Maintenance Services for routine and as-needed landscaping services for various Authority properties.

It is the intent of the Authority to enter into a one-year contract with two (2) 2-year renewal term options.

In order to obtain optimal advertising and maximize outreach, the Authority mailed thirty-five (35) solicitation letters to licensed landscaping contractors, forwarded the information to area Builders Exchanges and made it available on the Authority website.

Proposals were due March 6, 2019, and the Authority received a total of six (6) proposal submissions. The Authority assembled and provided said proposal to an Evaluation Committee on March 7, 2019. Evaluation committee scores were reviewed and scored with the following results:

Landscaping Contractor	Average Score
Atlas Commercial Property Maintenance, Chowchilla	71
Bret Briggs Construction dba Valley Scapes, Merced	73
The Grass Is Greener Landscape Management, Chowchilla	76
Westside Landscape & Concrete, Inc., Newman	80
Expert Landscape Installation & Management Services, Los Banos	86
Green Horizon, Inc., Turlock	87

**Total Points Possible: 110 Points**

The proposal submitted by Green Horizon, Inc. was evaluated and found to be responsive and complete. A HUD required background research was conducted and did not yield any results pertaining to disbarments, limited participation and/or other disqualifications. Green Horizon, Inc. is not an accredited Better Business Bureau (“BBB”) business; however, this company has been providing landscape maintenance services for the Authority for the past three (3) years and has been responsive to the Authority needs.

**RECOMMENDATION:**

It is hereby recommended that the Board of Commissioners of the Housing Authority of the County of Merced adopt **Resolution No. 2019-04**, awarding agency-wide Landscape Maintenance Services contract to Green Horizon, Inc. and authorize the Executive Director, Rosa Vazquez, to sign or take any other action necessary to carry out the completion of the work.

**RESOLUTION NO. 2019-04**

**AWARDING CONTRACT FOR LANDSCAPE MAINTENANCE SERVICES TO GREEN HORIZON, INC.**

**WHEREAS**, the Housing Authority of the County of Merced (Authority) issued a Request for Proposals (RFP) to procure for Landscape Maintenance Services for routine and as-needed landscaping services for various Authority properties.

**WHEREAS**, in order to obtain optimal advertising and maximize outreach, the Authority mailed thirty-five (35) solicitation letters to licensed landscaping contractors, forwarded the information to area Builders Exchanges and made it available on the Authority website; and

**WHEREAS**, six (6) proposals were received and opened on March 6, 2019 and forwarded to a pre-selected evaluation committee for review; and

**WHEREAS**, based on the recommendation from the evaluation committee, it was determined that the proposal submitted by Green Horizon, Inc. was the most responsive proposal; and

**THEREFORE, BE IT RESOLVED THAT** the Board of Commissioners of the Housing Authority of the County of Merced does hereby accept the proposal and authorizes the award of the contract to Green Horizon, Inc.; and

**BE IT FURTHER RESOLVED**, that the Board of Commissioners of the Housing Authority of the County of Merced does hereby appoint Executive Director, Rosa Vazquez, as the person designated with signature authority on behalf of the Board.

The foregoing resolution was introduced at the March 28, 2019 Board meeting of the Board of Commissioners of the Authority and adopted by the following vote:

Motion: Second:

Ayes:

Nays:

Absent:

Abstain:

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Chairperson, Board of Commissioners  
Housing Authority of the County of Merced

Dated: March 28, 2019