

AGENDA

BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Regular Meeting
Tuesday, September 21, 2021
12:00 p.m.

Closed session immediately following

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

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

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 Clerk of the Board 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

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. 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.

III. COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA

(M/S/C): ___/___/___

IV. APPROVAL OF THE FOLLOWING MEETING MINUTES

1. August 31, 2021, Special Meeting

(M/S/C): ___/___/___



V. CONSENT CALENDAR:

1. Rent Delinquency Report August 2021
2. Track Summary Report August 2021
3. Financial Reports for August 2021

(M/S/C): ____/____/____

VI. INFORMATION/DISCUSSION ITEM(S)

VII. EXECUTIVE DIRECTOR REPORT

1. Bond Committee Update

VIII. WRITTEN CORRESPONDENCE

None

IX. RESOLUTION ITEM(S)

1. **Resolution No. 2021-17:** 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.

(M/S/C): ____/____/____

X. ACTION ITEM(S)

XI. COMMISSIONER'S COMMENTS

XII. CLOSED SESSION ITEM(S)

None

XIII. ADJOURNMENT

(M/S/C): ____/____/____



MINUTES

BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Special Meeting
Tuesday, August 31, 2021

- I. The meeting was called to order by Chairperson Osorio at 12:09 p.m. and the Secretary was instructed to call the roll.

Commissioners Present:

Rick Osorio, Chair Person
Hub Walsh, Vice Chairperson
Evelyne Dorsey
Jack Jackson
Margaret Pia
Rachel Torres

Commissioners Absent:

Jose Resendez

Chairperson Osorio declared there was a quorum present.

Staff Present:

Rosa Vazquez, Executive Director/Board Secretary
David Ritchie, Legal Counsel
Blanca Arrate, Director of Housing Programs
Tracy Jackson, Director of Housing Programs
Melina Basso, Director of Procurement & Asset Management
Maria F. Alvarado, Clerk of the Board

Others Present:

Mark Pressman, Wulff, Hansen & Co.
Bud Levine, Wulff, Hansen & Co.

II. **UNSCHEDULED ORAL COMMUNICATION**

None

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

Legal Counsel Ritchie submitted a revised more detailed Staff Report for Item IX.2 Resolution No. 2021-14. This staff report provides additional information regarding the bond issuance and loan payoff for Merced Commons I/II.

Executive Director Vazquez presented two additional resolutions for Item IX. The Office of Migrant Services notified the Authority that additional funding was granted to the Atwater and Los Banos Migrant Centers requiring new resolutions.



Executive Director Vazquez notified the Board of an error in the minutes submitted for review and approval. The minutes included in the packet were for the June 15, 2021 meeting and the correct minutes should have been for the July 14, 2021 meeting.

Vice Chairperson Walsh moved to have the approval of these minutes moved from Item V. to Item XI to give the Board time to read, review, and approve the correct minutes. (M/S/C): Commissioner Walsh/Commissioner Torres/Motion Passed

(M/S/C): Commissioner Jackson/Commissioner Torres/Motion Passed

IV. CONSENT CALENDAR

1. Rent Delinquency Report for July 2021
2. Track Summary Report for July 2021
3. Financial Reports for July 2021

(M/S/C): Commissioner Pia/Commissioner Jackson/Motion Passed

V. INFORMATION AND DISCUSSION ITEM(S)

None

VI. EXECUTIVE DIRECTOR REPORT

1. Executive Director Vazquez informed the Board that this year the Felix Torres Migrant Center saw an increase in lease-up compared to previous years. This year the center is housing approximately 44 families with two additional families pending move in. This is a significant increase to the previous years that averaged 32 – 34 families per season.

VII. WRITTEN CORRESPONDENCE

None

VIII. RESOLUTIONS ITEM(S)

1. **Resolution No. 2021-13:** Approving the Operational Budget for Fiscal Year 2021-2022.

(M/S/C): Commissioner Walsh/Commissioner Pia/Motion Passed

2. **Resolution No. 2021-14:** Authorizing and Directing Actions in Connection with the Repayment of an Outstanding Loan and the Provision of Funds for the Rehabilitation of the Merced Commons Housing Facilities.

(M/S/C): Commissioner Jackson/Commissioner Pia/Motion Passed



Legal Counsel Ritchie requested that the Board move to approve the addition of Resolutions 2021-15 and 2021-16 as a need for immediate action. Upon approval of by two-thirds majority of the Board the motion passed and the resolution was added to the agenda.

(M/S/C): Commissioner Walsh/Commissioner Pia/Motion Passed

3. **Resolution No. 2021-15:** Approving and authorizing execution of Operation and Maintenance Contract between the California Department of Housing and Community Development and the Housing Authority of The County of Merced Contract 21-OMS-16186 for the Atwater/Livingston Migrant Center.

(M/S/C): Commissioner Walsh/Commissioner Pia/Motion Passed

4. **Resolution No. 2021-16:** approving and authorizing execution of Operation and Maintenance Contract between the California Department of Housing and Community Development and the Housing Authority of The County of Merced Contract 21-OMS-16187 for the Rafael Silva/Los Banos Migrant Center.

(M/S/C): Commissioner Walsh/Commissioner Torres/Motion Passed

IX. ACTION ITEM(S)

None

X. APPROVAL OF THE FOLLOWING MEETING MINUTES

1. July 14, 2021 Special Meeting

(M/S/C): Commissioner Pia/Commissioner Torres/Motion Passed

Vice Chairperson Walsh recused himself from the vote as he was not present at the meeting.

XI. COMMISSIONER'S COMMENTS

The Board thanked staff for their hard work. Vice Chairperson Walsh thanked staff for their assistance with a constituent question.

XII. CLOSED SESSION ITEM(S)

None



XIII. ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 12:40 p.m.

(M/S/C): Commissioner Pia/Commissioner Walsh/Motion Passes

Chairperson Signature

Date: September 21, 2021

Secretary Signature

Date: September 21, 2021



Aged Receivables Report as of 8/31/2021

Property	0 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total Unpaid Charges	Balance
AMP 1						
ca023001 PH - Merced	2,195.07	-	476.00	(2,842.73)	(171.66)	(171.66)
ca023010 PH - Merced	3,527.09	-	2,065.00	1,598.62	7,190.71	7,190.71
ca023013 PH - Merced Sr	312.35	-	33.35	-	345.70	345.70
ca023021 PH - Acquisition					-	-
ca023023 PH - Acquisition					-	-
AMP 1 TOTALS	6,034.51	-	2,574.35	(1,244.11)	7,364.75	7,364.75
AMP 2						
ca023003 PH - Atwater - Cameo	1,404.00	-	935.00	1,168.00	3,507.00	3,507.00
ca023006 PH - Livingston	1,921.94	-	465.00	(1,281.66)	1,105.28	1,105.28
012a PH - Atwater	2,028.07	-	1,560.00	11,897.69	15,485.76	15,485.76
012b PH - Winton	66.60	-	-	(251.00)	(184.40)	(184.40)
AMP 2 TOTALS	5,420.61	-	2,960.00	11,533.03	19,913.64	19,913.64
AMP 3						
ca023002 PH - Los Banos	1,093.48	-	485.00	(512.00)	1,066.48	1,066.48
ca023004 PH - Los Banos - Abby, B, C & D	916.99	-	812.98	(1,377.00)	352.97	352.97
ca023005 PH - Dos Palos - West Globe	777.62	-	394.00	296.00	1,467.62	1,467.62
ca023011 PH - Los Banos - J & K St	261.00	-	-	(384.00)	(123.00)	(123.00)
012c PH - Dos Palos - Alleyne	903.68	-	794.00	10,380.00	12,077.68	12,077.68
012d PH - Dos Palos - Globe	887.00	-	266.00	311.00	1,464.00	1,464.00
AMP 3 TOTALS	4,839.77	-	2,751.98	8,714.00	16,305.75	16,305.75
AMP 4						
ca023024 PH - 1st Street	142.35	-	-	(265.00)	(122.65)	(122.65)
AMP 4 TOTALS	142.35	-	-	(265.00)	(122.65)	(122.65)
VALLEY VIEW						
atw Atwater Elderly					-	-
dp Dos Palos Elderly					-	-
mid Midway	-	-	-	200.00	200.00	200.00
pbc-b-atw	800.00	-	668.00	10.49	1,478.49	1,478.49
pbc-b-dp	480.28	-	(13.00)	(1,022.72)	(555.44)	(555.44)
pbc-p-mid	2,857.00	-	1,892.00	3,544.19	8,293.19	8,293.19
VALLEY VIEW TOTALS	4,137.28	-	2,547.00	2,731.96	9,416.24	9,416.24
FELIX TORRES YEAR ROUND						
ft-yr Felix Torres Year Round Center	5,073.00	-	1,768.82	3,305.00	10,146.82	10,146.82
FELIX TORRES YEAR ROUND TOTALS	5,073.00	-	1,768.82	3,305.00	10,146.82	10,146.82
HOUSING AUTHORITY TOTALS	25,647.52	-	12,602.15	24,774.88	63,024.55	63,024.55

PHAS Tracking Summary Fiscal Year Ending 09/30/21

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		293	340	375	415	415	417	510	528	528	575	580	
Average Lease Up Days		37	31	31	30	30	26	30	26	25	25	21	
Make Ready Time		472	542	575	639	639	692	705	799	902	996	1312	
Average Make Ready Days		59	49	48	46	46	43	41	40	43	43	49	
Down Days		8	8	9	11	11	13	21	55	60	103	120	
Average Down Days		1	1	1	1	1	1	1	3	3	4	4	
Total # Vacant Units Turned		8	11	12	14	14	16	17	20	21	23	27	
Total # Turn Around Days		773	890	959	1065	1065	1122	1236	1382	1490	1674	2012	
Average Turn Around Days (To Date)	A = 0-20 B = 21-25 C = 26-30 D = 31-40 F = more than 50	97	81	80	76	76	70	73	69	71	73	75	

% 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%	100%	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	38	38	44	43	41	32	28	26	26	21	21	

Housing Authority of the County of Merced
Financial Statement - AMP 1 (.fs-amp1)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance Fav/-Unfav	% Var Fav/-Unfav	Annual
Revenue & Expenses					
INCOME					
NET TENANT INCOME	617,143	647,870	-30,727	-5	777,449
TOTAL GRANT INCOME (1)	544,494	469,670	74,824	16	563,602
TOTAL INCOME	1,161,637	1,117,540	44,097	4	1,341,051
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES (2,3,4)	277,481	319,980	42,499	13	383,969
TOTAL TENANT SERVICES EXPENSES	2,245	1,170	-1,075	-92	1,400
TOTAL UTILITY EXPENSES (5)	174,513	164,930	-9,583	-6	197,909
TOTAL MAINTENANCE EXPENSES (6,7)	282,373	290,540	8,167	3	348,640
TOTAL GENERAL EXPENSES	123,734	124,520	786	1	149,439
TOTAL HOUSING ASSISTANCE PAYMENTS	1,284	4,170	2,886	69	5,000
TOTAL FINANCING EXPENSES	45,481	41,940	-3,541	-8	50,329
TOTAL NON-OPERATING ITEMS	31,430	31,430	0	0	37,716
TOTAL EXPENSES	938,541	978,680	40,139	4	1,174,402
NET INCOME	223,096	138,860	84,236	61	166,649

- (1) Higher Grant Income \$44M
- (2) Lower Personnel Costs \$16M
- (3) Lower Legal \$9M
- (4) Lower Asset Mgmt Fees to be assessed at yearend \$17M
- (5) Higher Garbage -\$9M
- (6) Higher Maintenance Personnel (Medical) -\$14M
- (7) Lower Maintenance Contracted Repair Costs \$22M

Housing Authority of the County of Merced
Financial Statement - AMP 2 (.fs-amp2)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
TENANT INCOME					
NET TENANT INCOME	456,405	521,270	-64,865	-12	625,531
TOTAL GRANT INCOME	357,010	286,940	70,070	24	344,329
TOTAL INCOME	813,415	808,210	5,205	1	969,860
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES (1,2,3)	179,558	223,250	43,692	-100	267,899
TOTAL TENANT SERVICES EXPENSES	2,527	1,330	-1,197	-90	1,600
TOTAL UTILITY EXPENSES	147,874	155,480	7,606	5	186,560
TOTAL MAINTENACE EXPENSES)5,6,7)	180,970	227,860	46,890	21	273,417
TOTAL GENERAL EXPENSES	96,898	95,690	-1,208	-1	114,830
TOTAL HOUSING ASSISTANCE PAYMENTS	799	750	-49	-7	900
TOTAL FINANCING EXPENSES	22,940	21,070	-1,870	-9	25,288
TOTAL NON-OPERATING ITEMS	59,477	59,480	3	0	71,372
TOTAL EXPENSES	691,043	784,910	93,867	12	941,866
NET INCOME	122,372	23,300	99,072	425	27,994

- (1) Lower Personnel Costs \$24M
- (2) Lower Asset Mgmt Fees to be assessed at yearend \$11M
- (3) Lower Legal Expenses \$5M
- (4) Lower Utilities \$7M
- (5) Lower Maintenance Personnel Costs \$7M
- (6) Lower Maintenance Supplies Costs \$16M
- (7) Lower Maintenance Contract Repair Costs \$23M

Housing Authority of the County of Merced
Financial Statement - AMP 3 (.fs-amp3)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
NET TENANT INCOME	492,165	521,960	-29,795	-6	626,351
TOTAL GRANT INCOME	389,939	303,120	86,819	29	363,750
TOTAL INCOME (1)	882,104	825,080	57,024	7	990,101
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES (2,3,4))	223,016	251,350	28,334	11	301,614
TOTAL TENANT SERVICES EXPENSES	4,100	910	-3,190	-351	1,100
TOTAL UTILITY EXPENSES	127,772	132,250	4,478	3	158,705
TOTAL MAINTENANCE EXPENSES (5,6,7)	161,851	258,030	96,179	37	309,614
TOTAL GENERAL EXPENSES	98,395	96,920	-1,475	-2	116,303
TOTAL HOUSING ASSISTANCE PAYMENTS	1,096	1,000	-96	-10	1,200
TOTAL FINANCING EXPENSES	19,865	18,270	-1,595	-9	21,927
TOTAL NON-OPERATING ITEMS	48,687	48,690	3	0	58,425
TOTAL EXPENSES	684,782	807,420	122,638	15	968,888
NET INCOME	197,322	17,660	179,662	1,017	21,213

- (1) Higher Operating Fund \$57M
- (2) Lower Personnel Costs \$6M
- (3) Lower Legal Costs \$8M
- (4) Lower Asset Mgmt Fees to be assessed at yearend \$12M
- (5) Lower Maintenance Personnel Costs \$33M
- (6) Lower Maintenance Supplies Costs \$38M
- (7) Lower Maintenance Contracted Costs \$24M

Housing Authority of the County of Merced
AMP4 - 1st Street, Merced (.fs-amp4)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
NET TENANT INCOME	17,329	10,280	7,049	69	12,331
TOTAL GRANT INCOME	20,157	20,220	-63	0	24,270
TOTAL INCOME	<u>37,486</u>	<u>30,500</u>	<u>6,986</u>	<u>23</u>	<u>36,601</u>
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES	6,626	8,330	1,704	20	10,074
TOTAL TENANT SERVICES EXPENSES	330	0	-330	N/A	0
TOTAL UTILITY EXPENSES	5,645	5,220	-425	-8	6,253
TOTAL MAINTENANCE EXPENSES	11,567	8,150	-3,417	-42	9,817
TOTAL GENERAL EXPENSES	2,162	2,210	48	2	2,640
TOTAL HOUSING ASSISTANCE PAYMENTS	0	50	50	100	60
TOTAL FINANCING EXPENSES	1,261	1,170	-91	-8	1,399
TOTAL NON-OPERATING ITEMS	39,797	39,800	3	0	47,757
TOTAL EXPENSES	<u>67,388</u>	<u>64,930</u>	<u>-2,458</u>	<u>-4</u>	<u>78,000</u>
NET INCOME	<u><u>-29,902</u></u>	<u><u>-34,430</u></u>	<u><u>4,528</u></u>	<u><u>-13</u></u>	<u><u>-41,399</u></u>

- (1) Higher Tenant Rent \$7M
- (2) Higher Maintenance Supplies Costs -\$3M

Housing Authority of the County of Merced
HCV Program (fs.hcv plus sub-dp sub-mid sub-atw)
Budget Comparison
Period = Oct 2020-Jul 2021

	%	YTD Actual	YTD Budget	Variance Fav/-Unfav	% Var Fav/-Unfav	Annual
Revenue & Expenses						
INCOME						
TOTAL GRANT INCOME (1,2)	-	20,986,620	18,650,380	2,336,240	13	22,380,457
TOTAL OTHER INCOME	-	6,724	1,500	5,224	348	1,800
TOTAL INCOME		20,993,344	18,651,880	2,341,464	13	22,382,257
EXPENSES						
TOTAL ADMINISTRATIVE EXPENSES (3,4,5,6)	-	1,244,223	1,469,790	225,567	21	1,763,743
TOTAL TENANT SERVICES EXPENSES	-	3,645	0	-3,645	N/A	0
TOTAL UTILITY EXPENSES	-	227	0	-227	N/A	0
TOTAL MAINTENANCE EXPENSES	-	7,819	15,480	7,661	49	18,575
TOTAL GENERAL EXPENSES	-	68,944	64,110	-4,834	-8	76,919
TOTAL HOUSING ASSISTANCE PAYMENTS	-	16,673,925	16,946,980	273,055	2	20,336,378
TOTAL FINANCING EXPENSES	-	79,320	73,080	-6,240	-9	87,691
TOTAL EXPENSES		18,078,103	18,569,440	491,337	3	22,283,306
NET INCOME		2,915,241	82,440	2,832,801	3,436	98,951

- (1) Additional HAP funding to replace deficit HAP paid in previous months, \$1,654M in Dec, \$576M in Mar, \$498M in Apr, Total \$2,728M
- (2) Lower than forecasted regular monthly HAP -\$392M
- (3) Lower Personnel Costs \$102M
- (4) Lower Management and Bookkeeping Fees \$53M
- (5) Lower Inspection Costs \$27M
- (6) Lower General Admin Costs \$32M
- (7) Lower HAP Paid Out \$273M

Housing Authority of the County of Merced
Central Office Cost Center (cocc)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
TOTAL OTHER INCOME (1,2,3)	832,558	1,016,490	-183,932	-18	1,219,780
TOTAL INCOME	<u>832,558</u>	<u>1,016,490</u>	<u>-183,932</u>	<u>-18</u>	<u>1,219,780</u>
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES (4)	811,412	757,240	-54,172	-7	908,670
TOTAL TENANT SERVICES EXPENSES	1,984	0	-1,984	N/A	0
TOTAL UTILITY EXPENSES	30,206	38,570	8,364	22	46,293
TOTAL MAINTENANCE EXPENSES (5,6)	88,904	71,710	-17,194	-24	86,050
TOTAL GENERAL EXPENSES	34,708	32,530	-2,178	-7	39,039
TOTAL FINANCING EXPENSES	82,758	76,260	-6,498	-9	91,513
TOTAL EXPENSES	<u>1,049,972</u>	<u>976,310</u>	<u>-73,662</u>	<u>-5</u>	<u>1,171,565</u>
NET INCOME	<u><u>-217,414</u></u>	<u><u>40,180</u></u>	<u><u>-257,594</u></u>	<u><u>-583</u></u>	<u><u>48,215</u></u>

- (1) Lower Management Fees and Bookkeeping Fees -\$48M
- (2) Lower Asset Management Fees to be booked at yearend -\$41M
- (3) Lower Admin Fees from Cap Funds to be booked as Cap Fund is utilized \$97M
- (4) Higher Personnel costs COVID-19 temps -\$64M
- (5) Damage to gate to Office Building -\$12M
- (6) Elevator repairs -\$25M

Housing Authority of the County of Merced
Langdon Villas (langdon)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
NET TENANT INCOME	61,246	59,300	1,946	3	71,160
TOTAL OTHER INCOME (1)	228,691	240,130	-11,439	-5	288,159
TOTAL INCOME	<u>289,937</u>	<u>299,430</u>	<u>-9,493</u>	<u>-3</u>	<u>359,319</u>
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES (2)	29,474	79,410	49,936	63	95,282
TOTAL UTILITY EXPENSES	12	1,340	1,328	99	1,600
TOTAL MAINTENANCE EXPENSES	1,180	6,690	5,510	82	8,039
TOTAL GENERAL EXPENSES	32,400	32,440	40	0	38,929
TOTAL FINANCING EXPENSES	147,101	142,360	-4,741	-3	170,831
TOTAL NON-OPERATING ITEMS	2,865	2,860	-5	0	3,438
TOTAL EXPENSES	<u>213,032</u>	<u>265,100</u>	<u>52,068</u>	<u>20</u>	<u>318,119</u>
NET INCOME	<u><u>76,905</u></u>	<u><u>34,330</u></u>	<u><u>42,575</u></u>	<u><u>124</u></u>	<u><u>41,200</u></u>

(1) Management Fee from Migrant Program, correction for overstatement from prior fiscal year -\$18M

(2) Consultants not yet utilized \$41M

Housing Authority of the County of Merced
Obanion Learning Center (obanion)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance Fav/-Unfav	% Var Fav/-Unfav	Annual
Revenue & Expenses					
INCOME					
NET TENANT INCOME (1)	147,603	164,020	-16,417	-10	196,818
TOTAL INCOME	147,603	164,020	-16,417	-10	196,818
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES	15,804	17,650	1,846	10	21,182
TOTAL UTILITY EXPENSES (2)	50,770	61,520	10,750	17	73,826
TOTAL MAINTENACE EXPENSES	30,283	33,630	3,347	10	40,350
TOTAL GENERAL EXPENSES	1,281	1,120	-161	-14	1,349
TOTAL NON-OPERATING ITEMS	44,834	44,830	-4	0	53,800
TOTAL EXPENSES	142,972	158,750	15,778	10	190,507
NET INCOME	4,632	5,270	-638	-12	6,311

(1) Lower tenant utility chargeback -\$16M

(2) Lower Electricity Cost \$12M

Housing Authority of the County of Merced
Felix Torres Year Round (.fs-fty)
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
NET TENANT INCOME (1)	458,836	472,110	-13,274	-3	566,530
TOTAL OTHER INCOME	71	0	71	N/A	0
TOTAL INCOME	458,907	472,110	-13,203	-3	566,530
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES (2)	48,020	95,797	47,776	50	114,953
TOTAL UTILITY EXPENSES (3)	64,984	84,420	19,436	23	101,300
TOTAL MAINTENANCE EXPENSES	77,555	69,300	-8,255	-12	83,199
TOTAL GENERAL EXPENSES	19,702	23,740	4,038	17	28,486
TOTAL FINANCING EXPENSES	19,150	19,150	0	-100	22,975
TOTAL NON-OPERATING ITEMS	162,892	162,890	-2	0	195,471
TOTAL EXPENSES	392,303	455,297	62,993	14	546,384
NET INCOME	66,604	16,813	49,790	296	20,146

- (1) Lower Rental Income -\$13M
- (2) Lower Personnel Costs \$44M
- (3) Lower Utility Costs \$19M
- (4) Higher Maintenance Personnel Costs (Medical) -\$8M

Housing Authority of the County of Merced
Valley View = atw dp mid vv-bond pbcb-atw pbcb-dp pbcb-mid
Budget Comparison
Period = Oct 2020-Jul 2021

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
NET TENANT INCOME (1)	527,290	453,620	73,670	16	550,148
TOTAL INCOME	<u>527,290</u>	<u>453,620</u>	<u>73,670</u>	<u>16</u>	<u>550,148</u>
EXPENSES					
TOTAL ADMINISTRATIVE EXPENSES (2,3)	84,284	120,910	36,626	30	145,082
TOTAL UTILITY EXPENSES (4)	75,169	82,890	7,721	9	99,480
TOTAL MAINTENANCE EXPENSES (5)	131,936	124,750	-7,186	-6	149,704
TOTAL GENERAL EXPENSES	28,325	27,500	-825	-3	33,003
TOTAL FINANCING EXPENSES	60,950	60,950	0	0	73,143
TOTAL NON-OPERATING ITEMS	33,766	33,760	-6	0	40,518
TOTAL EXPENSES	<u>414,430</u>	<u>450,760</u>	<u>36,330</u>	<u>8</u>	<u>540,930</u>
NET INCOME	<u><u>112,860</u></u>	<u><u>2,860</u></u>	<u><u>110,000</u></u>	<u><u>3,846</u></u>	<u><u>9,218</u></u>

- (1) Higher Rent Revenues \$73M
- (2) Lower Personnel Costs \$21M
- (3) Lower Legal \$10M
- (4) Lower Utilities \$7M
- (5) Floor replacement at 3 units -\$27M

Housing Authority of the County of Merced
Financial Stmt - Migrant (.fs-mig)
Budget Comparison
Period = Jul 2020-Jun 2021 (Fiscal Year)

	YTD Actual	YTD Budget	Variance	% Var	Annual
			Fav/-Unfav	Fav/-Unfav	
Revenue & Expenses					
INCOME					
Total - Grant Income (1)	1,207,342	1,349,513	142,171	11	1,349,513
TOTAL INCOME	1,207,342	1,349,513	142,171	11	1,349,513
EXPENSES					
Total - Center Personnel (2)	573,159	684,065	110,906	16	684,065
Total - Operating Expenses (3)	391,699	346,225	-45,474	-13	346,225
Total - Maintenance Expenses (4)	25,936	37,900	11,964	32	37,900
Total - Contractor Administration (5)	134,766	130,921	-3,845	-3	130,921
Total - Debt Service and Replacement (6)	81,781	150,402	68,621	46	150,402
TOTAL EXPENSES	1,207,342	1,349,513	142,171	11	1,349,513
NET INCOME+	0	0	0	0	0

- (1) Migrant Program is a zero budget program. Merced HA is reimbursed for expenditures.
- (2) Lower Personnel Costs \$111M
- (3) Major Equipment purchase to be reimbursed from Reserves \$46M
- (4) Lower Maintenance Supplies and Contract work \$12M
- (5) Higher Audit Fees -\$4M
- (6) Reserve to be funded \$68M

MEMORANDUM

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

FROM: Rosa Vazquez, Executive Director

DATE: September 21, 2021

SUBJECT: Recommendation to adopt **Resolution No. 2021-17**, 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.

The Authority has existing debt obligations to the California Housing Finance Agency (CalHFA) that were issued pursuant to a promissory note on December 1, 2010 in the principal amount of \$1,000,000.00 which financed the Authority multi-family residential housing in Merced at Merced Commons II (the "2010 Loan"). That 2010 promissory note matures on October 1, 2021. The Authority staff and Municipal Advisors have determined that it is in the Authority's best interest to issue and sell a bond and to use the proceeds to pay off the 2010 Note at its maturity and to also provide for additional funds to rehabilitate the Housing Facilities at Commons I and II.

The Authority and its financing team have obtained a commitment from Farmers & Merchants Bank of Central California (the "bank") to purchase the bond issued by the Authority.

A 2021 Bond, form of Deed of Trust, Security Agreement, Fixture Filing and Assignment of Leases and Rents securing repayment of the Bond (together with an addendum thereto, the "Deed of Trust") have been prepared in connection with the issuance of the 2021 Bond and in anticipation that the Board of Commissioners would consider this transaction at the September 2021 Board Meeting (today).

A review of the documents has been conducted by staff and by the Ad-Hoc Committee for financing, assigned by the Board to evaluate the issuance of debt such as that proposed in this instance. The proposed bond financing is consistent with the requirements of the Authority's Debt Management Policy, enacted in August of 2018. Section 5852.1 of the California Government code requires certain documents to be made available to the public in connection with consideration of financing.

Specifically:

A) The True Interest Cost of the Bonds: 2.85%

B) Finance Charges \$178,601.00

C) Net Proceeds to be Received	\$2,957,390.00
D) Total Payment Amount Through Maturity (sum of all Bond Debt Service)	\$4,427,221,00

The above information is also contained within Exhibit A to the proposed resolution, as required by Section 5852.1. It is important to note that these figures are good faith estimates based on market conditions in existence on September 7, 2021.

RECOMMENDATION

It is hereby recommended that the Board of Commissioners of the Housing Authority of the County of Merced adopt **Resolution No. 2021-17**, 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.

Attachments:

- Bond Purchase Agreement
- Bond
- Deed of Trust
- Addendum to Deed of Trust
- F&M Bank Letter Agreement

RESOLUTION NO. 2021-17

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 facilities 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 issued its California Housing Finance Agency Promissory Note in the principal amount of \$1,000,000, dated December 1, 2010 (“2010 Note”) to provide financing for the Merced Commons II multifamily rental housing facility owned by the Authority; and

WHEREAS, the 2010 Note matures on October 1, 2021, and the Authority now desires to obtain funds to repay the 2010 Note at its maturity and to provide funds for costs of rehabilitation of the Merced Commons I and the Merced Commons II housing facilities (collectively, the “Housing Facilities”); 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 “2021 Bond”) in order to provide funds to repay the 2010 Note at its maturity, as well as provide funds for rehabilitation of the Housing Facilities; and

WHEREAS, the Authority has determined that it is in its best interests to issue and sell the 2021 Bond to the Bank, and to use the proceeds of the 2021 Bond to repay the 2010 Note and to provide funds to rehabilitate the Housing Facilities; and

WHEREAS, in connection with the issuance of the 2021 Bond, there have been prepared the 2021 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 2021 Bond to the Bank (the “Bond Purchase Agreement”), and a letter agreement containing certain requirements of the Bank related to its purchase of the 2021 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; and

WHEREAS, on August 21, 2018, the Board of Commissioners (the “Board”) adopted a Resolution approving a debt management policy (the “Debt Policy”); and

WHEREAS, the proposed 2021 Bond financing is consistent with the Debt Policy; and

WHEREAS, pursuant to Section 5852.1 of the California Government Code, certain information relating to the 2021 Bond is set forth in Exhibit A attached to this Resolution, and such information is hereby disclosed and made public.

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 2021 Bond. There is hereby authorized to be issued under the Act the 2021 Bond of the Authority designated as “Housing Authority of the County of Merced Mortgage Secured Housing Bond (Merced Commons I and II), Series 2021”. The Bond may be issued as hereinafter provided in an initial principal amount not to exceed \$3,500,000.

The Board has reviewed all proceedings heretofore taken relative to the authorization of the 2021 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 2021 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 2021 Bond in the manner provided in this Resolution. The Board further finds that the Bonds are in accordance with the applicable provisions of the Debt Policy.

Section 2. Issuance of 2021 Bond. The 2021 Bond, in the form on file with the Secretary, is hereby approved. The Chairman of the Authority is hereby authorized and directed to execute, and the Clerk of 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 2021 Bond by the Chairman to constitute conclusive evidence of the approval of all such changes. The sale of the 2021 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 “2021 Bond Documents”), in the respective forms on file with the Secretary, are hereby approved. The Executive Director of the Authority is hereby authorized and directed to execute the 2021 Bond Documents on behalf of the Authority and to deliver the 2021 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 2021 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 2021 Bond, including but not limited to the fees and expenses of counsel to the Bank, Bank origination costs, and the fees of Bond Counsel, the Authority's Municipal Advisor and the Placement Agent for the 2021 Bond.

Section 5. Official Action. All actions heretofore taken by the officers and agents of the Authority with respect to the issuance of the 2021 Bond and the execution and delivery of the 2021 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 issuance of the 2021 Bond, the repayment of the 2010 Note, the removal from title of prior encumbrances on the property to be subject to the Deed of Trust, and as otherwise incident to the transactions contemplated by the 2021 Bond and the 2021 Bond Documents.

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

The foregoing Resolution was introduced at the September 21, 2021 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:

Date: September 21, 2021

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

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the Municipal Advisor which have been represented to have been provided in good faith:

- (A) True Interest Cost of the Bonds: 2.85%
- (B) Finance Charges: \$178,610.00
- (C) Net Proceeds to be Received: \$2,957,390.00 (net of Finance Charges)
- (D) Total Payment Amount through Maturity (sum of all Bond debt service): \$4,427,221.00

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates on September 7, 2021.

The principal amount of the Bond, the true interest cost of the Bond, the finance charges thereof, 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 Bond being different than the date used for purposes of such estimates, (b) the actual principal amount of Bond sold being different from the estimated amount used for purposes of such estimates, (c) the actual principal amortization of the Bond being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates on the Bond at the time of sale of the Bond being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of sale of the Bond and the actual principal amount of the Bond sold will be determined based on the timing of the need for proceeds of the Bond and other factors. The actual interest rate on the Bond will depend on market interest rates at the time of sale thereof. The actual amortization of the principal of the Bond 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 Authority.



As of October 1, 2021

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

**Re: HOUSING AUTHORITY OF THE COUNTY OF MERCED
MORTGAGE SECURED HOUSING BOND
(MERCED COMMONS I AND II), SERIES 2021**

Dear Ms. Vazquez:

As you know, Farmers & Merchants Bank of Central California (“Bank”) has agreed to purchase the Housing Authority of the County of Merced Mortgage Secured Housing Bond (Merced Commons I and II), Series 2021 (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 September 1, 2021, 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 September __, 2021 (the “Bond Purchase Agreement”) 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.

“Property” shall mean the real property and improvements encumbered by the Deed of Trust.

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 [\$3,500,000.00], 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 [\$17,500.00] (the "Bank Fee") as well as all appraisal fees, environmental fees and costs, escrow fees, recording and filing fees incurred by Bank in connection with the origination, negotiation, documentation and closing of the purchase of the Bond in the total amount [\$_____] (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 monthly 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. Borrower agrees not to send Bank payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Bank may accept it without losing any of Bank's rights under the Financing Documents, and Borrower will remain obligated to pay any further amount owed to Bank. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: Farmers & Merchants Bank of Central California, LOAN CENTER, 116 WEST PINE STREET, P. O. BOX 3000, LODI, CA 95241-1902. Unless otherwise agreed or specified herein or required by applicable law, payments made pursuant to the Financing Documents shall first be applied unpaid accrued interest, then to outstanding principal, and then to all other charges (including, but not limited to, late charges, attorneys' fees, appraisal fees, collection costs, and any other costs and expenses) associated with enforcement of the Financing Documents.

2.5 Maximum Interest. The total liability for payments of interest and payments in the nature of interest on the Bond, including without limitation, all charges, fees or any sums which may at any time be deemed to be interest, shall not exceed the amount which Bank may lawfully collect. In the event the total liability for payments of interest and payments in the nature of interest, including without limitation, all charges, fees or other sums which may at any time be deemed to be interest, shall, for any reason whatsoever, result in an effective rate of interest, which for any month or other interest payment period exceeds the amount which Bank may lawfully collect, all sums in excess of those lawfully collectible as interest for the period in question shall, without further notice to any party hereto, be applied as a premium-free reduction of the principal balance hereof immediately upon receipt of such sums by Bank, with the same force and effect as though Borrower had specifically designated such excess sums to be so applied to the reduction of principal; provided, however, that Bank may, at any time, and from time to time, elect, by notice in writing to Borrower, to waive, reduce or limit the collection of any sums (or

refund to Borrower any sums collected) in excess of those lawfully collectible as interest rather than accept such sums on prepayment of principal.

2.6 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 Agreement shall be fully executed and delivered to the Bank;
- (ii) Evidence of Authority. The Borrower shall deliver the resolution of the board of commissioners of the Borrower authorizing the execution and delivery of the Bond, the Deed of Trust and the transactions contemplated by this Agreement;
- (iii) Appraisal. The Bank shall have received an appraisal of 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 [\$3,500,000.00] 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; provided, that Borrower shall not be required to pay for more than one appraisal in any 12-month period. 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. Borrower agrees to pay to Bank on demand all costs and expenses incurred by Bank in seeking to collect the Bond or to enforce any of Bank's rights and remedies under the Financing Documents.

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) on or before the end of each calendar year, or such other frequency as required by Bank; an annual rental roll and operating statement for Merced Commons I and Merced Commons II, in form and detail acceptable to Bank;
- (c) annual proposed Authority budgets within 30 days after the adoption thereof;
- (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 covenants set forth in Exhibit B to the Bond Purchase Agreement, until the Bond is paid in full and shall comply with the following:

Throughout the term of the Bond, and as of each of Borrower's fiscal year ends thereafter (each, a "**Test Date**"), Borrower shall at all times satisfy the Debt Service Test. The "**Debt Service Test**" will be deemed satisfied when and only when the annualized Net Operating Income (as defined below) derived from the Property pursuant to leases entered into in accordance with the Deed of Trust, as determined by the Bank in its sole discretion, at any given time, is sufficient to pay One Hundred Ten Percent (110%) of the annual principal and interest payable on the Bond, assuming a fixed interest rate equal to the interest rate in effect on the Bond. The Debt Service Test will

also assume interest accrual in the manner set forth in the Bond.

To determine if Borrower has passed the Debt Service Test on each Test Date, Bank shall determine the cash receipts and cash disbursements to be used for the calculation in its reasonable judgment. For purposes of the Debt Service Test:

(a) **“Net Operating Income”** shall mean gross receipts derived from the Property for the 12-month period ending as of the last full calendar month-end just prior to the Test Date, minus actually incurred and reasonable Operating Expenses for such period; and

(b) **“Operating Expenses”** shall mean all reasonable operating expenses for the Property for the 12-month period ending with the last full calendar month just prior to the Test Date, including, without limitation, those for maintenance, repairs, taxes, bond assessments, insurance, utilities and other expenses (excluding tenant retrofit and lease commission costs) and reserves that are reasonable and customary for similar type properties. Operating Expenses shall not include capital expenditures, any interest or principal payments on Bond or allowance for depreciation.

3.5 Waivers. Borrower waives diligence, presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of the Bond, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of the Financing Documents, except such notices as are provided in the Deed of Trust or any other Financing Document. Borrower further waives all right of offset that it may now have or hereafter become entitled to with respect to the Bank. Bank shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Bank, and then only to the extent specifically set forth in the writing. The acceptance by Bank of any payment under the Financing Documents which is less than payment in full of all amounts due and payable at the time of such payment, including but not limited to acceptance of interest, shall not constitute a waiver of the right to exercise any of the foregoing options at that time or at any subsequent time or nullify any prior exercise of any such option without the express written consent of Bank. If Bank delays in exercising or fails to exercise any of its rights under the Financing Documents, such delay or failure shall not constitute a waiver of any Bank rights or of any breach, default, or failure of condition under the Financing Documents. A waiver with reference to one event shall not be construed as continuing or as a bar to or waiver of any right or remedy as to a subsequent event. Borrower hereby waives any rights pursuant to California Civil Code sections 1479 and 2822 (and any amendments or successors thereto) or any other equivalent statute of any other state, to designate how payments will be applied, and acknowledges and agrees that Bank shall have the right in its sole discretion to determine the order and method of the application of payments.

3.6 Commercial Loan. Borrower warrants that the Bond is being made solely for business or commercial purposes. Borrower further warrants that all of the proceeds of the Financing Documents shall be used for commercial purposes and not for personal, family or household purposes.

3.7 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.

3.8 Governing Law. This Agreement shall be governed by and construed according to the laws of the State of California.

3.9 Jurisdiction. If there is a lawsuit, jurisdiction shall be subject to the provisions of the Financing Documents.

3.10 Successors and Assigns. Whenever used, the singular shall include the plural, the plural shall include the singular, and the words “Bank” and “Borrower” shall be deemed to include their respective heirs, administrators, executors, successors and assigns.

3.11 Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

[Remainder of Page Left Blank]

Housing Authority of the County of Merced
October 1, 2021

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

Sincerely,

Steve Haley
Executive Vice President
Chief Financial Officer

Housing Authority of the County of Merced
October 1, 2021

Accepted and agreed:

Housing Authority of the County of Merced

By: _____
Rosa Vazquez, Executive Director

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA**

**HOUSING AUTHORITY OF THE COUNTY OF MERCED
MORTGAGE SECURED HOUSING BOND
(MERCED COMMONS I AND II), SERIES 2021**

INTEREST RATE:	MATURITY DATE:	ISSUE DATE:
2.85%	October 1, 2046	October 1, 2021

OWNER: FARMERS & MERCHANTS BANK OF CENTRAL CALIFORNIA

PRINCIPAL SUM: _____ MILLION _____ 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, principal in annual installments on each October 1, commencing October 1, 2022 and on each October 1 thereafter to maturity or date of redemption, whichever is earlier, and interest on the outstanding principal of this Bond in semiannual installments on each April 1 and October 1, commencing April 1, 2022 to maturity or date of redemption, whichever is earlier, as set forth in the amortization schedule attached to this Bond (or, following any redemption of a portion of this Bond, pursuant to a revised amortization schedule provided by the Owner to the Authority as described below). 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.

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.

If all or any portion of any payment required hereunder (other than the payment due on the maturity date) is not paid on or before fifteen (15) days following the day on which such payment is due, the Authority shall pay a late or collection charge, as liquidated damages, equal to five percent (5%) of the scheduled payment amount. The Authority acknowledges that Owner will incur additional expenses as a result of any late payments hereunder, which expenses would be impracticable to quantify, and that the late charges provided for in this paragraph are a reasonable estimate of such expenses.

This Bond is the duly authorized Housing Authority of the County of Merced Mortgage Secured Housing Bond (Merced Commons I and II) Series 2021, limited in aggregate principal amount to _____ Million _____ 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. This Bond is secured in accordance with the terms and conditions of the Deed of Trust and the Letter Agreement, dated as of October 1, 2021 (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 repayment at maturity of a promissory note of the Authority and the rehabilitation by the Authority of the Merced Commons I and Merced Commons II multifamily rental housing facilities owned by the Authority that are located in the City of 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.

Time is of the essence hereof and if any installment of principal or accrued interest or any other amount due hereunder are not paid in full, including any payment due on the Maturity Date, or upon the occurrence of default with respect to this Bond, then, without waiving or modifying in any way any of the rights, remedies or recourse Owner may have under this Bond, or the other Financing Documents (as defined in the Letter Agreement), the entire unpaid balance of principal, accrued interest and any other amounts due hereunder shall bear interest at the default interest rate equal to the lesser of: (a) an annual rate equal to four percent (4%) plus the interest rate that would otherwise be in effect, or (b) the maximum rate of interest permitted by applicable law ("Default Rate"). In addition, the Owner shall have any and all other rights and remedies available at law or in equity under the Deed of Trust and other Financing Documents. The Authority acknowledges that it would be extremely difficult or impracticable to determine Owner's actual damages resulting from the Authority's default hereunder or under the other Financing Documents and such interest at the Default Rate is a reasonable estimate of those damages and does not constitute a penalty. Interest accrual at the Default Rate shall be paid without prejudice to the rights of Owner to collect any other amounts required to be paid or to declare a default under this Bond or the other Financing Documents.

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 September 30, 2023	5%
October 1, 2023 through September 30, 2025	4
October 1, 2025 through September 30, 2027	3
October 1, 2027 through September 30, 2029	2
October 1, 2029 through September 30, 2030	1
October 1, 2030 and thereafter	0

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 1st day of October, 2021.

HOUSING AUTHORITY OF THE
COUNTY OF MERCED

By: _____
Rosa Vasquez,
Executive Director

ATTACHMENT TO
HOUSING AUTHORITY OF THE COUNTY OF MERCED
MORTGAGE SECURED HOUSING BOND
(MERCED COMMONS I AND II), SERIES 2021

AMORTIZATION SCHEDULE FOR THE BOND

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment Due</u>
4/1/2022			
10/1/2022			
4/1/2023			
10/1/2023			
4/1/2024			
10/1/2024			
4/1/2025			
10/1/2025			
4/1/2026			
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4/1/2043			
10/1/2043			
4/1/2044			
10/1/2044			
4/1/2045			
10/1/2045			
4/1/2046			
10/1/2046			

\$ _____
HOUSING AUTHORITY OF THE COUNTY OF MERCED
MORTGAGE SECURED HOUSING BOND
(MERCED COMMONS I AND II), SERIES 2021

BOND PURCHASE AGREEMENT

September __, 2021

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 County 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 \$_____ Housing Authority of the County of Merced, Mortgage Secured Housing Bond (Merced Commons I and II), Series 2021 (the "Bond"), at a price of \$_____ (which price is 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") on September 21, 2021 (the "Bond Resolution"), (ii) the Bond is being issued to provide funds (A) for the purpose of repaying at its maturity on October 1 2021, a California Housing Finance Agency Promissory Note dated December 1, 2010 (the "2010 Note"), related to financing for the Authority's Merced Commons II multifamily housing facility, (B) to pay costs of rehabilitation of the Merced Commons I and the Merced Commons II housing facilities owned by the Authority (collectively, the "Housing Facilities"), 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 Sections 3.2 and 3.4 of the Letter Agreement.

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 October 1, 2021, 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, October 1, 2021, 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 Housing Facilities, \$_____;

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

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

(d) to Oppenheimer & Co. Inc., as placement agent, \$_____;

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

(f) to Brooke Thompson Law, P.C., as counsel to the Purchaser, \$_____;

(g) to California Housing Finance Agency, to be applied to the repayment of the 2010 Note, \$1,325,875.00; and

(h) to the Authority, \$_____ to (i) reimburse the Authority for costs of an appraisal and environmental report previously paid by the Authority to the Purchaser; (ii) pay other costs of issuance of the Bond, including the fee payable to the California Debt and Investment Advisory Commission, a fee to Fidelity National Title Company for a policy of title insurance required by the Purchaser, and any other costs of issuance of the Bond; and (iii) pay interest on the Bond or costs of rehabilitation of the Housing Facilities with any remaining funds.

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, 2020, 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, 2020, 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, (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,
- (F) Customer Verification, and
- (G) Subordination Agreement (related to laundry lease).

(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: _____

Its: _____

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 Vazquez,
Executive Director

13069.03:J17869

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>
10/1/2046	\$ _____	2.85%

Principal will be payable in annual installments commencing October 1, 2022 and on each October 1 thereafter to maturity or upon earlier redemption, and interest will be payable on each April 1 and October 1, commencing April 1, 2022 to maturity or date of earlier redemption. 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 September 30, 2023	5%
October 1, 2023 through September 30, 2025	4
October 1, 2025 through September 30, 2027	3
October 1, 2027 through September 30, 2029	2
October 1, 2029 through September 30, 2030	1
October 1, 2030 and thereafter	0

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

Farmers & Merchants Bank of Central California
121 West Pine Street
P.O. Box 3000
Lodi, CA 95241
Attn: Loan Center Manager

APNs: 032-263-006 and 032-292-005

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 September __, 2021, by Housing Authority of the County of Merced, a public housing agency ("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 290 Q Street, Merced, CA 95341 (collectively, the "Real Property") and more particularly described in Exhibit A attached hereto and made a part hereof, 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 (collectively, the "Improvements"); 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

DEED OF TRUST
(CONTINUED)

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;

DEED OF TRUST
(CONTINUED)

(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 (Merced Commons I and II), Series 2021 for the original or principal amount of Three Million Five Hundred Thousand and no/100 dollars (\$3,500,000.00) 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, the Letter Agreement dated as of October 1, 2021, between Beneficiary and Trustor (the "Letter Agreement") and any modifications, amendments and supplements to either of them.

(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.

DEED OF TRUST
(CONTINUED)

(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

DEED OF TRUST
(CONTINUED)

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

DEED OF TRUST
(CONTINUED)

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.

DEED OF TRUST
(CONTINUED)

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.

DEED OF TRUST
(CONTINUED)

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

DEED OF TRUST
(CONTINUED)

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, 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 as of [September __, 2021] 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

DEED OF TRUST
(CONTINUED)

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

DEED OF TRUST
(CONTINUED)

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.

DEED OF TRUST
(CONTINUED)

(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

DEED OF TRUST
(CONTINUED)

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.

DEED OF TRUST
(CONTINUED)

(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.

DEED OF TRUST
(CONTINUED)

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 appraisalment 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

DEED OF TRUST
(CONTINUED)

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.

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 95241
Attn: Loan Center Manager

To Trustor: Housing Authority of the County of Merced
405 U Street
Merced, CA 95341
Attn: 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

DEED OF TRUST
(CONTINUED)

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.

7.19 Addendum. ADDENDUM TO DEED OF TRUST, SECURITY AGREEMENT, FIXTURE FILING AND ASSIGNMENT OF LEASES AND RENTS is attached hereto and made a part hereof by this reference.

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DEED OF TRUST
(CONTINUED)

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

DEED OF TRUST
(CONTINUED)

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.

CERTIFICATE OF ACKNOWLEDGEMENT

State of California

County of _____

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A
REAL PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF MERCED, COUNTY OF MERCED, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

PARCEL 1, AS SHOWN ON THE PARCEL MAP FILED OCTOBER 5, 1978 IN BOOK 38 OF PARCEL MAPS, PAGE 7, MERCED COUNTY RECORDS, AND BEING A PORTION OF LOTS 1 AND 4, BLOCK 522, MAP OF THE CITY OF MERCED, LOT 2, BLOCK 523, MAP OF THE CITY OF MERCED, AND A PORTION OF BLOCK 409, RUBALCAVA TRACT, AND BY CERTIFICATE OF CORRECTION RECORDED DECEMBER 13, 1978 IN BOOK 2152 OF OFFICIAL RECORDS, PAGE 838, AS INSTRUMENT NO. 32123, MERCED COUNTY RECORDS.

ASSESSOR'S PARCEL NO.: 032-263-006

PARCEL 2:

PARCEL 2, AS SHOWN ON THE PARCEL MAP FILED OCTOBER 5, 1978 IN BOOK 38 OF PARCEL MAPS, PAGE 7, MERCED COUNTY RECORDS, AND BEING A PORTION OF LOTS 1 AND 4, BLOCK 522, MAP OF THE CITY OF MERCED, LOT 2, BLOCK 523, MAP OF THE CITY OF MERCED, AND A PORTION OF BLOCK 409, RUBALCAVA TRACT, AND BY CERTIFICATE OF CORRECTION RECORDED DECEMBER 13, 1978 IN BOOK 2152 OF OFFICIAL RECORDS, PAGE 838, AS INSTRUMENT NO. 32123, MERCED COUNTY RECORDS.

ASSESSOR'S PARCEL NO.: 032-292-005