

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Housing Authority of the
City of Napa
1115 Seminary Street
Napa, California 94559
Attn: Peter Drier

NO RECORDING FEE REQUIRED GOVERNMENT CODE SECTION 27383

DISPOSITION AND DEVELOPMENT AGREEMENT

This Disposition and Development Agreement ("Agreement") is made as of this 9 day of December, 1992, by and between the HOUSING AUTHORITY OF THE CITY OF NAPA, a public body, corporate and politic (the "Authority"), and MAYACAMAS VILLAGE ASSOCIATES, a California Limited Partnership ("Developer"), with reference to the following facts:

1. The Partnership is developing a 51-unit housing project for low income persons known as Mayacamas Village Townhomes (the "Improvements") located on Von Brandt Street in Napa, California (together with the land, known as the "Project") which is more particularly described in Exhibit A attached hereto.

2. The Authority owns the land on which the Improvements are to be built (the "Property") and has agreed to sell the Property to the Partnership for Six Hundred Seventy-five Thousand Dollars (\$675,000) of which Seventy Thousand Dollars (\$70,000) will be paid at closing and the balance shall be evidenced by a recourse promissory note (the "Note") the form of which is attached hereto as Exhibit B.

THEREFORE, the Authority and the Developer agree as follows:

ARTICLE 1: DISPOSITION OF PROPERTY.

Section 1.1 Sale and Purchase.

The Authority shall sell to the Developer, and the Developer shall purchase from the Authority, the Property pursuant to the terms, covenants, and conditions of this Agreement.

Section 1.2 Purchase Price.

The purchase price for the Property shall be Six Hundred Seventy-Five Thousand Dollars (\$675,000). The Developer shall pay Seventy Thousand Dollars (\$70,000) and shall execute the Note for the balance in favor of the Authority for the purchase of the Property. To secure such Note, the Developer shall execute a deed of trust in favor of the Authority and a regulatory agreement to be recorded against the Property (the "Regulatory Agreement") the form of which is attached hereto as Exhibit C.

Section 1.3 Opening Escrow.

To accomplish the purchase and transfer of the Property from the Authority to the Developer, the parties shall, upon execution of this Agreement, establish an escrow with a title company to be selected by the Developer (the "Title Company"). The parties shall execute and deliver all written instructions to the Title Company to accomplish the terms hereof, which instructions shall be consistent with this Agreement ("Escrow").

Section 1.4 Close of Escrow.

Provided the requirements set forth in this Article 1 have been met, and subject to the provisions of Section 1.5 below, Escrow for the Property shall close on a date mutually agreeable to the parties but in no event later than forty-five (45) days following the date on which the conditions set forth in this sentence have been satisfied. Upon the close of Escrow, the Authority shall convey the Property to the Developer by a grant deed from the Authority (the "Authority Grant Deed").

Section 1.5 Condition of Title.

Upon the close of Escrow, the Property shall have insurable title which shall be free and clear of all liens, encumbrances, clouds and conditions, rights of occupancy or possession, except:

- a. applicable building and zoning laws and regulations;
- b. the provisions of this Agreement and the Regulatory Agreement;
- c. the provisions of the Authority Grant Deed;
- d. any lien for current taxes and assessments or taxes and assessments accruing subsequent to recordation of the Authority Grant Deed;

e. any conditions, covenants, restrictions or easements shown as exception numbers 1 through 21 in the preliminary title report for the Property issued by the Title Company on November 23, 1992 or as otherwise approved by the Developer.

Section 1.6 Condition of Property.

The Authority and the Developer understand and agree that the Property shall be purchased "as is" by the Developer and that the Authority shall in no way be responsible for site preparation. The Developer agrees to accept conveyance of the property in its present condition, "as is" and without representation or warranty from the Authority with respect to the condition of this property, including, but not limited to, the condition of the soil, presence of hazardous materials or contaminants, and all other physical characteristics. The Developer has performed and relies solely upon its own independent investigation concerning the physical condition of the Property or compliance of the Property with any statutes, ordinances, rules or regulations. If the conditions of the Property are not in all respects entirely suitable for the use or uses to which the Property will be put as described in this Agreement, then it is the sole responsibility and obligation of the Developer to correct any soil conditions, correct any subsurface condition, correct any structural condition, demolish any improvements and otherwise put the Property in a condition suitable for the Improvements to be constructed pursuant to this Agreement. The Developer hereby waives any right to seek reimbursement or indemnification from the Authority of Developer's costs related to correction of any physical conditions on the Property, including but not limited to the presence of hazardous materials.

Section 1.7 Title Policy.

The Developer shall have the Title Company issue to the Authority an ALTA LP-10 Lenders Policy of title insurance in the amount of Six Hundred Five Thousand Dollars (\$605,000), which shall insure the deed of trust securing the Note as a lien upon the Property subject only to the permitted exceptions.

Section 1.8 Costs of Escrow and Closing.

Ad valorem taxes, if any, shall be prorated as of the date of conveyance. The Developer shall bear the cost of title insurance, transfer tax, the cost of title company document preparation and recordation fees. All other costs of escrow (including the fees of escrow holder), if any, shall be evenly

borne by the parties. The costs borne by the Developer are in addition to the purchase price for the Property.

Section 1.9 Subordination of Deeds of Trust.

The Authority agrees to subordinate the deed of trust securing the Note to the liens of the deeds of trust securing the construction and permanent financing for the Improvements, and to the deeds of trust securing any refinancing of the permanent financing if such refinancing does not exceed the amount of financing existing at such time or if the refinancing is used to finance Authority approved rehabilitation of the Project.

Section 1.10 Subordination of the Regulatory Agreement.

The Authority agrees to subordinate the Regulatory Agreement and the option described in Section 1.12 to the liens of the deeds of trust securing the construction and permanent financing, and to the deeds of trust securing any refinancing of the permanent financing if such refinancing does not exceed the amount of financing existing at such time or if the refinancing is used to finance Authority approved rehabilitation of the Project.

Section 1.11 Authorization.

The Developer shall provide the Authority with a certified copy of an authorizing resolution, approving the terms of this Agreement and all such documents pertaining to this Agreement, including but not limited to the Note. Such approval shall be granted by the general partner of the Developer.

Section 1.12 Option. As additional consideration for the Property, the Developer agrees to grant the Agency an option to purchase the Property pursuant to an option agreement, the form of which is attached hereto as Exhibit D.

ARTICLE 2: INTENTIONALLY OMITTED

ARTICLE 3: CONSTRUCTION OF IMPROVEMENTS

Section 3.1 Conditions of Construction.

Before any work of construction, alteration or repair is commenced on the Property, Developer shall comply with all the following conditions.

Section 3.2 Plans, Specifications.

a. Delivery to Authority

The Developer shall deliver to Authority for Authority's approval a set of preliminary construction plans and specifications prepared by an architect or an associated civil engineer licensed to practice as such in California, including but not limited to preliminary grading and drainage plans, soil tests, utilities, sewer and service connections, locations of ingress and egress to and from public thoroughfares, curbs, gutters, parkways, street lighting, designs and locations for outdoor signs, storage areas, and landscaping, all sufficient to enable potential contractors and subcontractors to make reasonably accurate bid estimates and to enable the Developer to make an informed judgment about the design and quality of construction.

b. Authority's Approval

Authority shall not unreasonably disapprove preliminary plans and specifications. Approval or disapproval shall be communicated in the manner provided for notices, and disapproval shall be accompanied by specification of the grounds for disapproval; provided that Authority's failure to disapprove within thirty (30) days after delivery to the Authority shall be conclusively deemed to be approval.

Notwithstanding anything hereinabove to the contrary, in the event said plans and specifications are substantially consistent as reasonably determined by Authority with plans and specifications approved during the land use permit and environmental assessment process with respect to the Project and meet the requirements of paragraph 3.2(a) the Authority shall be deemed to have approved said plans and specifications.

c. Final Plans, Specifications

The Developer shall prepare final working plans and specifications substantially conforming to preliminary plans previously approved by the Authority and submit them to the appropriate governmental agencies for approval on or before May 1, 1993, including without limitation the Authority. Provided the final working plans and specifications are consistent with the approved preliminary plans and specifications, the Authority shall approve them.

The Developer may make minor changes in the plans and specifications without the Authority's prior written consent unless such change: (i) constitutes a material change in the building material or equipment specifications, the architectural or structural design, value, architecture, or quality of any of

the Improvements; or (ii) would result in an increase in any item of construction cost in excess of TEN THOUSAND DOLLARS (\$10,000.00) for any single change or in excess of TWENTY-FIVE THOUSAND DOLLARS (\$25,000.00) for all such changes in such items of construction cost; or (iii) would affect the structural integrity, quality of building materials or equipment or overall efficiency of operating systems or utility systems of the Improvements.

Section 3.3 Authority's Approval of General Contractor

The Developer shall furnish the Authority with a true copy of the Developer's contract with the general contractor and with evidence of the general contractor's financial condition for the Authority's approval. Prior to commencement of any construction on the Land, the Developer shall provide to the Authority at the Developer's expense, such completion, performance and/or payment bonds as the Authority may consider necessary with respect to the work of construction. The contract shall give the Authority the right but not the obligation to assume the Developer's obligations and rights under that contract if the Developer should default.

The Authority may disapprove the contract and/or contractor on reasonable grounds set forth herein by notice given within fifteen (15) business days following delivery of a copy of the contract and evidence of the general contractor's financial condition. The notice shall specify the grounds for disapproval. The Authority shall not unreasonably disapprove and shall be considered to have approved in the absence of notice of disapproval given within fifteen (15) days after the Developer furnishes the contract and evidence specified above. Reasonable grounds for disapproval of a contractor shall be the contractor's (1) experience and reputation, (2) financial condition, (3) ability to obtain the bonds or (4) compliance with equal opportunity employment requirements.

Section 3.4 Construction Performance.

The Developer shall commence construction of the Project not later than July 31, 1993, which commencement date may be extended with the consent of the Authority, which consent shall not be unreasonably withheld. The Developer shall receive a certificate of occupancy from the City of Napa not later than December 31, 1994.

Section 3.5 Commencement of Construction.

Notwithstanding Section 3.4 above, the Developer for itself, its successors and assigns covenants and agrees to commence construction of the Improvements within thirty (30) days

following the date of issuance of the building permit for the Improvements.

Section 3.6 Financing.

The Developer shall use the proceeds of any loans that are secured by the Project solely for the Project.

Section 3.7 Progress Reports.

The Developer shall provide the Authority with monthly progress reports throughout the development period providing information regarding the status of financing commitments and permits and setting target dates for accomplishing the tasks necessary to be completed for the close of the construction financing and completion of construction of the Improvements.

Section 3.8 Completion of the Improvements.

The Developer, for itself, its successors and assigns, hereby covenants and agrees diligently to prosecute to completion the construction of the Improvements within sixteen (16) months following commencement of construction but in no event later than December 31, 1994.

Section 3.9 Equal Opportunity.

During the construction of the Improvements there shall be no discrimination on the basis of race, color, creed, religion, sex, sexual orientation, marital status, national origin or ancestry in the hiring, firing, promoting or demoting of any person engaged in the construction work.

Section 3.10 Prevailing Wage Requirement.

To the extent required by Section 1770 et seq. of the California Labor Code and regulations issued pursuant thereto, the Developer shall pay or cause to be paid, prevailing rates of wages for construction work done in connection with the Improvements.

Section 3.11 Certificate of Completion.

Promptly after completion of the Improvements in accordance with those provisions of this Agreement relating solely to the obligations of Developer to construct the Improvements (including the dates for beginning and completion thereof), the Authority will provide a certificate of completion so certifying (the "Certificate of Completion"). For the purposes of this Section 3.11, completion of the Improvements shall occur upon issuance of a certificate of occupancy for the Improvements. Such certification shall be conclusive determination that the

covenants in this Agreement with respect to the obligations of the Developer, its successors and assigns, to construct the Improvements and the dates for the beginning and completion thereof have been met. Such certification shall not relieve the Developer of its obligations under the Regulatory Agreement and shall be in such form as will enable it to be recorded among the official records of Napa County. Such certification and determination shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of deed of trust securing money loaned to finance the Improvements or any part thereof and shall not be deemed a notice of completion under the California Civil Code.

Section 3.12 Construction Bonds.

The Developer shall obtain labor and material bonds and performance bonds for construction of the Improvements which bonds shall name the Authority as co-obligee.

Section 3.13 Executive Director Approval.

Any approvals required by the Authority as set forth in this Agreement, including, but not limited to the approvals set forth in Sections 3.2 and 3.3, may be given by the Executive Director of the Authority, or the Executive Director's designee, without further approval by the Authority Commission.

ARTICLE 4: ONGOING DEVELOPER OBLIGATIONS

Section 4.1 Maintenance.

The Developer, for itself, its successors and assigns hereby agrees that, prior to completion of the Improvements, the portions of the Property undergoing construction shall be maintained in a neat and orderly condition to the extent practicable and in accordance with industry health and safety standards, and that, once the Improvements are completed, the portion of the Property that is subject to public view (including all improvements from time to time erected thereon, including paving, walkways, landscaping and ornamentation) shall be maintained in good repair and in a neat, clean and orderly condition, ordinary wear and tear excepted.

In the event that there arises at any time a condition in contravention of the above maintenance standard, then the Authority shall notify the Developer in writing of such condition, giving Developer thirty (30) days from receipt of such notice to cure said condition. In the event the Developer fails to cure or commence to cure the condition within the time allowed, the Authority shall have the right to perform all acts necessary to cure such a condition, or to take other recourse at

law or equity the Authority may then have and to receive from Developer, its successors or assigns the Authority's cost in taking such action. The parties hereto further mutually understand and agree that the rights conferred upon the Authority expressly include the right to enforce or establish a lien or other encumbrance against the Property, but such lien shall be subject to previously recorded liens and encumbrances. The foregoing provisions shall be a covenant running with the land until expiration of this Agreement, enforceable by the Authority, its successors and assigns. Nothing in the foregoing provisions shall preclude the Developer from making any alterations, additions, or other changes to any of the Improvements or landscaping, provided that such changes comply with this Agreement.

Section 4.2 Regulatory Agreement Requirements.

The Developer, for itself, its successors and assigns hereby agrees that the Developer shall impose and enforce the low and moderate income housing occupancy and rent restrictions on the Property as set forth in the Regulatory Agreement. The Developer shall also obtain, verify, complete and maintain, income certifications for each applicant and household as set forth in the Regulatory Agreement.

Section 4.3 Preference in Tenant Selection.

As required by Health and Safety Code Section 33411.3, the Developer shall give preference in tenant selection to income eligible persons referred by the Redevelopment Agency of the City of Napa who have been displaced by Agency redevelopment projects.

ARTICLE 5: ASSIGNMENT AND TRANSFERS

Section 5.1 Definitions.

As used in this Article 5, the term "Transfer" means:

- a. Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to this Agreement or of the Property or any part thereof or any interest therein or of the improvements constructed thereon, or any contract or agreement to do any of the same; or
- b. Any total or partial sale, assignment or conveyance, or any trust or power, or any transfer in any other mode or form, of or with respect to any ownership interest in Developer or any contract or agreement to do any of the same; or
- c. Any merger, consolidation, sale or lease of all or substantially all of the assets of Developer; or

d. The leasing of part or all of the Property or the improvements thereon; provided, that leases of the Units to tenant occupants shall not be deemed a "Transfer" for purposes of this Article 5.

Section 5.2 Purpose of Restrictions on Transfer.

The Developer recognizes that it is because of the qualifications and identity of the Developer that the Authority is entering into this Agreement with the Developer and that Transfers are permitted only as provided in this Agreement.

Section 5.3 Permitted Transfers.

The following Transfers shall be permitted and approved by the Authority:

- a. Any Transfer creating a mortgage, deed of trust, or other reasonable means of securing a construction loan or permanent financing as described in Section 1.9 above ("Security Financing Interest");
- b. Any Transfer directly resulting from the foreclosure of a Security Financing Interest or the granting of a deed in lieu of foreclosure of a Security Financing Interest or as otherwise permitted under Article 8;
- c. Any transfer to Rural California Housing Corporation ("RCHC") or a nonprofit public benefit corporation controlled by RCHC;
- d. Any Transfer of a limited partnership interest in the Developer.

Section 5.4 Effectuation of Certain Permitted Transfers.

No Transfer of this Agreement permitted pursuant to Section 5.3 (other than a Transfer pursuant to a Security Financing Interest under Section 5.3(a) or (b), or Transfers of limited partnership interests permitted pursuant to Section 5.3(d)) shall be effective unless, at the time of the Transfer, the person or entity to which such Transfer is made, by an instrument in writing reasonably satisfactory to Authority and in form recordable among the land records, shall expressly assume the obligations of Developer under this Agreement and agree to be subject to the conditions and restrictions to which Developer is subject arising during this Agreement. Anything to the contrary notwithstanding, the holder of a Security Financing Interest whose interest shall have been acquired by, through or under a Security Financing Interest or shall have been derived immediately from any holder thereof shall not be required to give

to the Authority such written assumption until such holder or other person is in possession of the Property or entitled to possession thereof pursuant to enforcement of the Security Financing Interest.

Section 5.5 Other Transfers with Authority Consent.

The Authority may, in its reasonable exercise of discretion, approve in writing other Transfers as requested by the Developer. Any transferee, by instrument in writing satisfactory to the Authority and in form recordable among the land records, for itself and its successors and assigns, and for the benefit of the Authority shall expressly assume all of the obligations of the Developer under this Agreement relating to the Property involved and agree to be subject to all the conditions and restrictions to which the Developer is subject. There shall be submitted to the Authority for review all instruments and other legal documents proposed to effect any such Transfer; and if approved by the Authority (if approval is required hereby) its approval shall be indicated to the Developer in writing. Such approval shall be granted or denied by the Authority staff within thirty (30) business days of receipt by the Authority of Developer's request for approval of a Transfer and shall not be unreasonably withheld or delayed.

In the absence of specific written agreement by the Authority, no such transfer, assignment or approval by the Authority shall be deemed to relieve the Developer or any other party from any obligations under this Agreement.

Section 5.6 Release of Developer Following Permitted Transfer.

Prior to the issuance of a Certificate of Completion for the Improvements, no Transfer, assignment or approval by the Authority shall be deemed to relieve the Developer or any other party of any obligations under this Agreement, unless the Authority consents in writing to such a release. Following the issuance of a Certificate of Completion for the Improvements, upon all of the terms of Section 5.4 or 5.5 being satisfied for a permitted Transfer to be effective, the Transfer shall operate to release the Developer from any liability under this Agreement which arises from an event occurring after the Transfer; provided, however, that Mayacamas Village Associates (as the original Developer) shall remain liable for the obligations set forth in Section 9.8 following such Transfer unless the Authority, in the exercise of its discretion, consents in writing to release the Developer from such obligations.

ARTICLE 6: REMEDIES

Section 6.1 General Applicability.

The provisions of this Article 6 shall govern the parties' remedies for breach or failure of the Agreement.

Section 6.2 Fault of Developer.

The following events each constitute a basis for the Authority to take action against the Developer:

- a. The Developer fails to obtain commitments for construction loans and permanent financing (excluding a commitment from a tax credit investor) for the Improvements prior to June 30, 1993;
- b. The Developer fails to obtain all permits and approvals necessary for construction of the Improvements, including a building permit, prior to the start of construction;
- c. The Developer constructs or attempts to construct the Improvements in violation of Article 3;
- d. The Developer fails to commence construction of the Improvements or to complete same within the time limits set forth in this Agreement;
- e. The Developer fails to pay, at commencement of construction, the loan from the Sanitation District to the Authority for the replacement sewer line for the Property.
- f. The Developer abandons or suspends construction of the Improvements prior to completion of all construction for a period of sixty (60) days after written notice by the Authority of such abandonment or suspension;
- g. A Transfer (as defined in Section 5.1 above) occurs either voluntarily or involuntarily, in violation of Article 5;
- h. The Developer breaches any other material provision of this Agreement.

Upon the happening of any of the above-described events, the Authority shall first notify the Developer in writing of its purported breach, failure or act above described, giving the Developer sixty (60) days from receipt of such notice to cure, or, if cure cannot be accomplished within said sixty (60) days, to commence to cure such breach, failure, or act. In the event the Developer fails to cure within said sixty days, or if such breach is of a nature that it cannot be cured within sixty (60) days, Developer fails to commence to cure within said sixty (60)

days and diligently complete such cure within a reasonable time thereafter but in no event later than one hundred and twenty (120) days, then the Authority shall be afforded all of its rights at law or in equity by taking any or all of the following remedies: (i) terminating in writing this Agreement, provided, however, that the parties' remedies pursuant to Articles 6 and 7 and the indemnification provisions of Section 9.8 shall survive such termination of the Agreement; (ii) prosecuting an action for damages or specific performance; and (iii) any of the remedies specified in Article 7.

ARTICLE 7: SPECIAL AUTHORITY REMEDIES

Section 7.1 Right of Reverter. In the event that, following close of Escrow, this Agreement is terminated and such termination occurs prior to issuance of a Certificate of Completion for the Improvements, then the Authority shall have the right to reenter and take possession of the Property and all improvements thereon and to re-vest in the Authority the estate of the Developer in the Property.

Upon re-vesting in the Authority of title to the Property, the Authority shall promptly use its best efforts to resell it consistent with its obligations under state law. Upon sale the proceeds shall be applied as follows:

(1) First, to reimburse the Authority for any costs it incurs in managing or selling the Property (after exercising its right of reverter), including but not limited to amounts to discharge or prevent liens or encumbrances arising from any acts or omissions of the Developer;

(2) Second, to reimburse the Authority for damages to which it is entitled under this Agreement by reason of the Developer's default;

(3) Third, to the extent not paid, to pay the loan from the Sanitation District to the Authority for the replacement sewer line for the Property;

(3) Fourth, to the extent not paid, to pay the predevelopment loan from the Authority to Developer;

(5) Fifth, to the Developer up to the sum of the amount of the purchase price paid to the Authority by the Developer for the Property pursuant to Section 1.2 and the reasonable cost of the improvements the Developer has placed on the Property and such other reasonable out-of-pocket costs Developer has incurred directly in connection with development of the Property other than employees' salaries and overhead; and

(6) Sixth, any balance to the Authority.

Section 7.2 Option to Purchase Project.

a. In the event that, following the Developer's purchase of the Property, this Agreement is terminated pursuant to Section 6.2 above and such termination occurs prior to issuance of a Certificate of Completion, the Authority shall have an option to purchase the Project. Such purchase option is granted to the Authority by the Developer in consideration of the Authority's agreement to take back the Note.

b. The Authority shall notify the Developer of its intention to exercise the Authority purchase option within one year of the date of the Authority's written notice to Developer of termination of this Agreement. The Authority purchase option shall expire if no notice of exercise is delivered by the Authority during such one year time period. If the Authority delivers a notice of exercise of option to Developer within the one year time period, the parties shall open an escrow with the Title Company. Title to the Property shall thereafter be promptly conveyed to the Authority subject only to those title exceptions listed as exceptions in the title policy of the Developer issued at the commencement of construction of the Improvements. The purchase price shall be the amount due on the Note, and upon purchase of the Property the Note shall be cancelled.

Section 7.3 Construction Plans.

If the Authority obtains title to portions of the Property pursuant to Sections 7.1 and/or 7.2, above, the Developer, at no cost to the Authority, shall deliver to the Authority copies of any construction plans and studies in the Developer's possession or to which Developer is entitled related to development of the Improvements on the Property and, if requested by the Authority, shall assign to the Authority the contracts with the architect and contractor.

Section 7.4 Rights of Mortgagees.

Any rights of the Authority under this Article 7 shall not defeat, limit or render invalid any Security Financing Interest permitted by this Agreement or any rights provided for in this Agreement for the protection of holders of Security Financing Interests. Any conveyance or reverter of the Property to the Authority pursuant to this Article 7 shall be subject to Security Financing Interests permitted by this Agreement.

ARTICLE 8: SECURITY FINANCING AND RIGHTS OF HOLDERS

Section 8.1 No Encumbrances Except for Project Purposes.

Notwithstanding any other provision of this Agreement, mortgages and deeds of trust, or any other reasonable method of security, are permitted to be placed upon the Property but only for the purpose of securing construction loans and permanent financing approved by the Authority. Prior to commencement of the construction of the Improvements on the Property, the Developer shall promptly notify the Authority of any mortgage, deed of trust, sale and lease-back or other financing, conveyance, encumbrance or lien that has been or will be created or attached to the relevant Property. The words "mortgage" and "deed of trust" as used in this Agreement include all other appropriate modes of financing real estate construction, and land development.

Section 8.2 Holder Not Obligated to Construct.

The holder of any Security Financing Interest authorized by this Agreement is not obligated to construct or complete any improvements or to guarantee such construction or completion; nor shall any covenant or any other provision in conveyances from the Authority to the Developer evidencing the realty comprising the Property or any part thereof be construed so to obligate such holder. However, nothing in this Agreement shall be deemed to permit or authorize any such holder to devote the Property or any portion thereof to any uses, or to construct any improvements thereon, other than those uses of improvements provided for or authorized by this Agreement.

Section 8.3 Notice of Default and Right to Cure.

Whenever the Authority pursuant to its rights set forth in Article 7 of this Agreement delivers any notice or demand to the Developer with respect to the commencement, completion, or cessation of the construction of the Improvements, the Authority shall at the same time deliver to each holder of record of any Security Financing Interest creating a lien upon the Property or any portion thereof a copy of such notice or demand. Each such holder shall (insofar as the rights of the Authority are concerned) have the right, but not the obligation, at its option, within ninety (90) days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default or breach affecting the Property which is subject to the lien of the Security Financing Interest held by such holder and to add the cost thereof to the security interest debt and the lien on its security interest. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the Improvements (beyond the extent necessary to conserve or protect such

improvements or construction already made) without first having expressly assumed in writing the Developer's obligations to the Authority relating to such Improvements under this Agreement. The holder in that event must agree to complete, in the manner provided in this Agreement, the Improvements to which the lien or title of such holder relates. Any such holder properly completing such Improvements pursuant to this paragraph shall assume all rights and obligations of Developer under this Agreement and shall be entitled, upon written request made to the Authority, to a Certificate of Completion from the Authority.

Section 8.4 Failure of Holder to Complete Improvements.

In any case where six months after default by the Developer in completion of construction of the Improvements under this Agreement, the holder of record of any Security Financing Interest, having first exercised its option to construct, has not proceeded diligently with construction, the Authority shall be afforded those rights against such holder it would otherwise have against Developer under this Agreement.

Section 8.5 Right of Authority to Cure.

In the event of a default or breach by the Developer of a Security Financing Interest prior to the completion of development, and the holder has not exercised its option to complete the development called for on the Property, the Authority may cure the default, prior to the completion of any foreclosure. In such event the Authority shall be entitled to reimbursement from the Developer of all costs and expenses incurred by the Authority in curing the default. The Authority shall also be entitled to a lien upon the Property or any portion thereof to the extent of such costs and disbursements. The Authority agrees that such lien shall be subordinate to any Security Financing Interest, and the Authority shall execute from time to time any and all documentation reasonably requested by Developer to effect such subordination.

Section 8.6 Right of Authority to Satisfy Other Liens.

After the conveyance of title to the Property or any portion thereof and after the Developer has had a reasonable time to challenge, cure or satisfy any liens or encumbrances on the Property or any portion thereof, the Authority shall have the right to satisfy any such lien or encumbrances; provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Property or any portion thereof to forfeiture or sale.

Section 8.7 Holder to be Notified.

The Developer, for itself, its successors and assigns hereby warrants and agrees that each term contained in this Article 8 shall be either inserted into the relevant deed of trust or mortgage or acknowledged by the holder prior to its coming into any security right or interest in the Property.

ARTICLE 9: GENERAL PROVISIONS

Section 9.1 Notices, Demands and Communications.

Formal notices, demands, and communications between the Authority and the Developer shall be sufficiently given if and shall not be deemed given unless dispatched by registered or certified mail, postage prepaid, return receipt requested or delivered personally, to the principal office of the Authority and the Developer as follows:

Authority:

Housing Authority of the City of Napa
1115 Seminary Street
Napa, California 94559-0660

Developer:

Mayacamas Village Associates
2125 19th Street, Suite 101
Sacramento, California 95818

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected party may from time to time designate by mail as provided in this Section 9.1.

Section 9.2 Conflict of Interests.

No member, official or employee of the Authority shall make any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

Section 9.3 Non-Liability of Authority Officials, Employees and Agents; Non-Liability of Developer's Members.

No member, official, employee or agent of the Authority or the City of Napa shall be personally liable to the Developer, or any successor in interest, in the event of any default or breach by the Authority or for any amount which may become due to the

Developer or successor or on any obligation under the terms of this Agreement.

Section 9.4 Forced Delay.

In addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; governmental restrictions or priority; litigation (including suits filed by third parties concerning or arising out of this Agreement); weather or soils conditions which, in the opinion of the Developer's contractor, will necessitate delays; inability to secure necessary labor, materials or tools; delays of any contractor, sub-contractor or supplier; acts of the other party; acts or failure to act of any public or governmental agency or entity (other than the acts or failure to act of the Authority); or any other causes (other than Developer's inability to obtain financing for the Improvements) beyond the control or without the fault of the party claiming an extension of time to perform. An extension of time for any cause will be deemed granted if notice by the party claiming such extension is sent to the other within ten (10) days from the date the party seeking the extension first discovered the cause and such extension of time is not rejected in writing by the other party within ten (10) days of receipt of the notice. Times of performance under this Agreement may also be extended in writing by the Authority and the Developer.

Section 9.5 Inspection of Books and Records.

Upon request, the Developer shall permit the Authority to inspect at reasonable times and on a confidential basis those books, records and all other documents of the Developer necessary to determine Developer's compliance with the terms of this Agreement. The Developer also has the right at all reasonable times to inspect the books, records and all other documentation of the Authority pertaining to its obligations under this Agreement.

Section 9.6 Provision Not Merged with Deeds.

None of the provisions of this Agreement are intended to or shall be merged by any grant deed transferring title to any real property which is the subject of this Agreement from Authority to Developer or any successor in interest, and any such grant deed shall not be deemed to affect or impair the provisions and covenants of this Agreement or the Regulatory Agreement.

Section 9.7 Title of Parts and Sections.

Any titles of the Parts, Sections or Subsections of this Agreement are inserted for convenience of reference only and shall be disregarded in construing or interpreting any part of its provision.

Section 9.8 Hold Harmless.

Except as such claims may arise from gross negligence or willful misconduct by the Authority, if any contractor or subcontractor performing work for the Developer on the Property shall assert any claim against the Authority on account of any damage alleged to have been caused by reason of acts of the Authority or the Developer or its construction contractor, the Developer shall defend at its own expense any suit based upon such claim; and if any judgment or claims against the Authority shall be allowed, the Developer and its construction contractor shall pay or satisfy such judgment or claim and pay all costs and expenses in connection therewith.

In addition, the Developer shall defend the Authority against any claims or litigation of any nature whatsoever brought by third parties and directly arising from Developer's performance of its obligations under this Agreement, and in the event of settlement, compromise or judgment hold the Authority free and harmless therefrom.

Section 9.9 Rights and Remedies Cumulative.

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise or failure to exercise one or more of such rights or remedies by either party shall not preclude the exercise by it, at the same time or different times, of any right or remedy for the same default or any other default by the other party.

Section 9.10 Real Estate Commissions.

Neither party shall be responsible to the other for any real estate commissions or brokerage fees which may arise from this Agreement or otherwise be incurred by the other party.

Section 9.11 Applicable Law.

This Agreement shall be interpreted under and pursuant to the laws of the State of California.

Section 9.12 Severability.

If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability.

Section 9.13 Legal Actions.

In the event any legal action is commenced to interpret or to enforce the terms of this Agreement or to collect damages as a result of any breach thereof, the party prevailing in any such action shall be entitled to recover against the party not prevailing all reasonable attorney's fees and costs incurred in such action.

Section 9.14 Binding Upon Successors.

This Agreement shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest and assigns of each of the parties hereto except that there shall be no transfer of any interest by any of the parties hereto except pursuant to the terms of this Agreement. Any reference in this Agreement to a specifically named party shall be deemed to apply to any successor, heir, administrator, executor or assign of such party who has acquired an interest in compliance with the terms of this Agreement, or under law.

Section 9.15 Parties Not Co-Venturers.

Nothing in this Agreement is intended to or does establish the parties as partners, co-venturers, or principal and agent with one another.

Section 9.16 Warranties.

The Authority expresses no warranty or representation to the Developer as to fitness or condition of the property the subject of this Agreement for the building or construction to be conducted thereon.

Section 9.17 Time of the Essence.

In all matters under this Agreement, the parties agree that time is of the essence.

Section 9.18 Identity and Authority of Developer.

The person executing this Agreement on behalf of the Developer does hereby covenant and warrant: that the Developer is a duly authorized and existing California limited partnership; that the Developer is and shall remain in good standing and qualified to do business in the State of California; that the Developer has full right, power and authority to enter into this Agreement and to carry out all actions on its part contemplated by this Agreement; that the execution and delivery of this Agreement were duly authorized by proper action of the Developer and no consent, authorization or approval of any person is necessary in connection with such execution and delivery or to carry out all actions on the Developer's part contemplated by this Agreement, except as have been obtained and are in full force and effect; that the person executing this Agreement on behalf of the Developer has full corporate authority to do so; and that this Agreement constitutes the valid, binding and enforceable obligation of the Developer.

Section 9.19 Complete Understanding of the Parties.

This Agreement and the attached Exhibits constitute the entire understanding and agreement of the parties.

WHEREFORE, the Parties have executed this Agreement on or as of the date first above written.

AUTHORITY:

HOUSING AUTHORITY OF THE CITY OF
NAPA

By: *Ed Solomon*

Its: Chairman

ATTEST:

Pamyla Means
Pamyla Means, City Clerk

Jed Christensen
Jed Christensen, Finance Dir.

APPROVED AS TO FORM:

John L. Cook
John L. Cook, City Attorney

DEVELOPER:

MAYACAMAS VILLAGE ASSOCIATES
a California non-profit public
benefit corporation

By: Rural California Housing
Corporation, a California
nonprofit public benefit
corporation, its general
partner

By: *Shirley*

Its: Secretary/General Partner

EXHIBIT A

LEGAL DESCRIPTION

APN 4-530-46, 26, 36 and
Ptn. APN 4-530-41

All that certain real property situate in the City of Napa, County of Napa, State of California, described as follows:

Commencing at the Southwestern corner of Parcel Two as described in the deed to Stefanie Paulo, et al, recorded October 7, 1954 in Book 454 of Official Records at page 519, Napa County Records; thence North 84 degrees 50' East along the Southern line of said parcel 77.54 feet to the Southeastern corner of said Parcel Two, said point being an angle point in the Eastern line of the parcel of land described in the deed to John J. Freitas, et al, recorded July 30, 1943 in Book 230 of Official Records at page 107, said Napa County Records; thence South 05 degrees 10' East along the Eastern line of said Freitas parcel 348.88 feet to the Southeastern corner of said Freitas parcel; thence West along the Southern line of said Freitas parcel 206.13 feet to the Southwestern corner of said Freitas parcel, said point being also that Southeastern corner of the parcel of land as described in the deed to Albert L. Knight et ux, recorded October 2, 1987 in Book 1542 of Official Records at page 438, said Napa County Records; thence West along the Southern line of said Knight parcel 293.00 feet to the Southwestern corner of said Knight parcel; thence along the Western and Northern lines of said Knight parcel the following courses: North 05 degrees 03' West 35.50 feet, North 79 degrees 37' East 40.00 feet, North 05 degrees 03' West 132.80 feet and East 72.66 feet to the southwestern corner of Parcel One as described in the deed to the Housing Authority of the City of Napa, a Public Authority duly organized under the laws of the State of California, recorded October 31, 1990 in Book 1777 of Official Records at Page 780, said Napa County Records; thence North 3°03' West along the western line of said Parcel One 100 feet to the northwestern corner of said Parcel One; thence East along the northern line of said Parcel One and its easterly prolongation 112.66 feet to the western line of Parcel Two as described in said deed to the Housing Authority of the City of Napa; thence North 3°03' West along said western line 10.00 feet to the northwestern corner of said Parcel Two; thence East along the northern line of said Parcel Two 70.00 feet to the Western line of said Freitas parcel; thence Northerly along said western line 41.24 feet more or less to the point of intersection with the Westerly prolongation of said Southern line of said Paulo parcel, thence North 84 degrees 50' East along said Westerly prolongation 128.63 feet more or less to the point of commencement.