

LOAN AGREEMENT

This Loan Agreement (this “**Agreement**”) is entered into effective as of May __, 2026 (“**Effective Date**”) by and between the City of South San Francisco, a municipal corporation (the “**City**”) and Synergy Community Development Corporation, a California nonprofit public benefit corporation (“**Borrower**”). The City and Borrower are hereinafter collectively referred to as the “**Parties.**”

RECITALS

- A. 220 Linden LLC (“**Owner**”) owns property located at 220 Linden Avenue known as APN 012-316-010, as more particularly described in Exhibit A, commonly known as the Metropolitan Hotel, which contains sixty-two single-room-occupancy (“**SRO**”) residential units and ground floor commercial space (collectively, the “**Property**”).
- B. The City and Owner are successors in interest to that certain Amended and Restated Rent Regulatory dated April 15, 2009 and recorded on May 1, 2009 as Document No. 2009-053041 in the official records of San Mateo County (the “**2009 Regulatory Agreement**”) pursuant to which the City required that the sixty-two residential units located on the Property be affordable to low-income households. The term of the 2009 Regulatory Agreement is due to expire in 2031.
- C. Owner is currently in default of the the 2009 Regulatory Agreement pursuant to the notice of default (the “**Default**”) recorded against the Property as document number 2024-051842 on October 1, 2024 in the Official Records of San Mateo County (the “**Official Records**”).
- D. Borrower has entered into a purchase and sale agreement dated January 23, 2026, with Owner to purchase the Property and intends to convert the existing dwelling units, including the SRO units, to apartments with bathrooms and kitchens that Borrower intends to rent at an affordable housing cost (the “**Project**”).
- E. The Project will consist of sixty-eight (68) housing units that will be affordable to households earning sixty percent (60%) or less of area median income and one manager’s unit.
- F. Borrower has represented to the City that it will make good faith efforts to obtain financing necessary for the construction of the Project, including but not limited to nine percent (9%) Low-Income Housing Tax Credits (LIHTC).
- G. The City has identified a critical need for development and preservation of affordable housing as evidenced by data gathered and conclusions drawn in the City’s Housing Element and wishes to assist in the purchase of the Property and the maintenance and extension of current affordability obligations under the 2009 Regulatory Agreement for an additional fifty-five years.
- H. Borrower requests and the City agrees to loan to Borrower an amount not to exceed Three Million One Hundred and Fifteen Thousand Dollars (\$3,115,000) (the “**Loan**”) to purchase the Property.

- I. Concurrently herewith: (i) Borrower shall execute a secured promissory note (the “**Note**”) in the amount of the Loan; (ii) Borrower shall execute a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “**Deed of Trust**”), which shall provide City with a security interest in the Property and the Project, and (iii) Borrower and City shall execute an Affordable Housing Regulatory Agreement and Declaration of Restrictive Covenants (the “**Regulatory Agreement**”) that will be recorded against the Property and that will require Project rents to be affordable to low-income households for a term of not less than 55 years. This Agreement, the Note, the Regulatory Agreement, and the Deed of Trust are collectively hereinafter referred to as the “**City Documents**.”
- J. The City will record a termination the Default and a termination of the 2009 Regulatory Agreement concurrently with Borrower’s purchase of the Property.
- K. At its [REDACTED] meeting, the South San Francisco City Council adopted Resolution No. [REDACTED], authorizing the Loan to Borrower and funding it with the City’s Commercial Linkage Fee Fund (Fund 823).

NOW THEREFORE, in consideration of their mutual undertakings and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. THE LOAN AND DISBURSEMENT OF LOAN PROCEEDS.

1.1. Loan. The City agrees to make the Loan, and Borrower agrees to accept the Loan, upon the terms and conditions and for the purposes set forth in this Agreement. The Loan shall be evidenced by the Note, substantially in the form attached hereto as Exhibit B, and shall be secured by the Deed of Trust executed by Borrower as Trustor, substantially in the form attached hereto as Exhibit C and recorded against the Property. Provided that Borrower has complied with all conditions set forth in Section 1.11, the Loan shall be disbursed in accordance with Section 1.10 hereof.

1.2. Interest. Interest shall accrue on the Loan at a rate of simple interest per annum as follows: (i) zero percent (0%) from the Effective Date through the first (1st) anniversary of the Effective Date; (ii) one percent (1%) from the first (1st) anniversary of the Effective Date through the second (2nd) anniversary of the Effective Date; (iii) two percent (2%) from the third (3rd) anniversary of the Effective Date through the 4th anniversary of the Effective Date; and (iv) three percent (3%) from the fourth (4th) anniversary of the Effective Date through the Maturity Date (defined below). Otherwise, the Loan shall accrue interest at the Default Rate, as set forth in the Note, until such default is cured.

1.3. Maturity Date. Annual payments shall be due and payable on a residual receipts basis in accordance with the formula set forth below. The entire outstanding principal balance of the Loan together with accrued interest and all other sums due under the City Documents shall be payable in full on the fifteenth (15th) anniversary of the date that City issues the final certificate of occupancy for the Project (the “**Maturity Date**”).

1.4. Annual Payment from Residual Receipts. Commencing on April 1 following the first (1st) anniversary of the City's issuance of a final certificate of occupancy for the Project, and on each April 1 thereafter, Borrower shall pay to City a share of fifty percent (50%) of all Residual Receipts (defined below) generated by the Project during the previous calendar year to reduce the indebtedness owed under this Note. The City's pro-rata share shall be based on the ratio that the original principal amount of the City's Loan bears to the sum of the original principal amounts of all loans made to the Borrower that are payable from Residual Receipts, including any other loan from the City and any loan from the County of Contra Costa. Payments shall be accompanied by Borrower's calculation of Residual Receipts for the previous calendar year and such supporting documentation as City may reasonably request, including without limitation, an independent audit prepared for the Project by a certified public accountant in accordance with generally accepted accounting principles. Payments shall be credited first to any unpaid late charges and other costs and fees then due, then to any accrued interest, and then to principal. No later than November 1 of each year during the term hereof beginning after the first (1st) anniversary of the City's issuance of a final certificate of occupancy for the Project, if requested by City, Borrower shall provide to City a projected budget for the following calendar year which shall include an estimation of Residual Receipts.

(a) **“Residual Receipts”** means for each calendar year during the Term hereof, the amount by which Gross Revenue (defined below) exceeds Annual Operating Expenses (defined below) for the Project. Residual Receipts shall also include (a) condemnation awards for a permanent taking of part or all of the Property or the Project; and (b) net cash proceeds realized from any refinancing of the Project, less fees and closing costs reasonably incurred in connection with such refinancing and any City-approved uses of the net cash proceeds of the refinancing.

(b) **“Gross Revenue”** means for each calendar year during the Term, all revenue, income, receipts and other consideration actually received by Borrower from the operation and leasing of the Project. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants; Section 8 payments or other rental subsidy payments received for the dwelling units; deposits forfeited by tenants; all cancellation fees, price index adjustments and any other rental adjustments to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance (provided however, expenditure of such proceeds for repair or restoration of the Project shall be included within Annual Operating Expenses in the year of the expenditure); condemnation awards for a taking of part or all of the Property or the Project for a temporary period; the fair market value of any goods or services provided to Borrower in consideration for the leasing or other use of any part of the Project; and any release of funds from replacement and other reserve accounts to Borrower other than for costs associated with the Project. Gross Revenue shall not include tenant security deposits, loan proceeds, capital contributions or similar advances.

(c) **“Annual Operating Expenses”** means for each calendar year during the Term, the following costs reasonably and actually incurred for the operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles; all state and local property and other taxes and annual assessments imposed on the Project; premiums for

property damage and liability insurance; debt service currently due and payable on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Project) on loans that have been approved by the City and which are secured by deeds of trust (each, an “**Approved Loan**”); utility services not paid for directly by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair, including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial and supplies; any annual license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and marketing, security services and systems, and professional fees for legal, audit and accounting; property management fees and reimbursements including on-site manager expenses, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by the City; deposits into a reserve for capital replacements of Project improvements in an amount no more than Five Hundred Dollars (\$500) per unit per year or such greater amount as reasonably required by the holder of an Approved Loan or Borrower's organizational documents; deposits into an operating reserve in such reasonable amounts as are approved by the City, or in such amounts reasonably required by the holder of an Approved Loan or Borrower's organizational documents. Annual Operating Expenses shall not include the following: debt service payments on any loan which is not an Approved Loan, including without limitation, unsecured loans; depreciation, amortization, depletion or other non-cash expenses; capital expenditures; expenses paid for with disbursements from any reserve account; any amount paid to Borrower, or any entity controlled by the persons or entities in control of Borrower (unless such payment consists of fees paid to a property management agent or resident services agent, to the Project developer, to the Borrower’s general partners, or the asset management fee, or as otherwise set forth in the Borrower's organizational documents).

1.5. Excess Proceeds. Notwithstanding subsection (c) above, during the 15-year tax credit compliance period under Section 42 of the Internal Revenue Code, if Borrower or the tax credit limited partnership that owns the Project (the "Partnership") receives net proceeds from a refinancing of secured indebtedness on the Project, a capital transaction, or any other non-operating event generating net proceeds to the Partnership (each, a "Capital Event"), Borrower shall use commercially reasonable efforts to apply a portion of such net proceeds toward repayment of the Loan; provided, however, that (i) any such repayment shall be made only from net proceeds remaining after the payment of all transaction costs, senior secured indebtedness, required reserves, and any priority distributions or payments owed to the tax credit investor or limited partners under the Partnership's limited partnership agreement or operating agreement (collectively, "Priority Obligations"); (ii) Borrower shall not be required to make any repayment under this subsection (d) to the extent such repayment would cause a default under the Partnership's limited partnership agreement, any senior loan documents, or any regulatory agreement with a state or federal agency; and (iii) Borrower shall not be required to make any repayment under this subsection (d) that would jeopardize the Project's compliance with Section 42 of the Code or the terms of any tax credit regulatory agreement. Borrower shall provide the City with written notice of any intent to refinance or execute any other qualified Capital Event not later than thirty (30) days prior to the expected closing date of such event, together with a summary of expected net proceeds and the application thereof, including the expected repayment of all or a portion of the City Loan. The City shall review the Borrower’s notice and provide comments or

approval not later than fifteen (15) calendar days following receipt of the notice. After closing of any Capital Event, Borrower shall provide the City with written notice of the Capital Event within thirty (30) days of closing, together with a summary of net proceeds and the application thereof. For the avoidance of doubt, this subsection (d) shall not create any obligation to sell, refinance, or otherwise cause a Capital Event to occur.

1.6. Due on Sale. The entire unpaid principal balance and all interest and other sums accrued under this Agreement shall be due and payable upon the Transfer, absent City consent, of all or any part of the Project or the Property or any interest therein other than a Transfer permitted without City consent pursuant to the Regulatory Agreement. Without limiting the generality of the foregoing, except in the case of Permitted Transfers (defined in the Regulatory Agreement), the Note shall not be assumable without City's prior written consent, which consent may be granted or denied in City's sole discretion.

1.7. Termination for Infeasibility. If no Borrower Event of Default has occurred and is ongoing, and Borrower is unable to obtain financing necessary to purchase the Project despite Borrower's timely and good faith efforts to obtain such financing, that may include but is not limited to IIG, AHSC, MHP, tax credits, bonds, conventional mortgages or low-income housing tax credit equity, or philanthropic sources, Borrower may terminate this Agreement by giving notice to the City prior to the Maturity Date, and Borrower shall immediately repay all principal and interest due under this Agreement and the Note to the City.

1.8. Prepayment. Borrower may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this Note, provided that each such prepayment is accompanied by accrued interest (if any) on the amount of principal prepaid calculated to the date of such prepayment. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal. The Regulatory shall remain in full force for the entire term thereof regardless of any prepayment of the Loan.

1.9. Use of Loan Proceeds. The Loan shall be used solely and exclusively to purchase the Property.

1.10. Disbursement of Proceeds. Upon satisfaction of the conditions set forth in Section 1.11, and provided that Borrower has delivered such other documentation as the City may reasonably require, the City shall promptly disburse Loan proceeds to Chicago Title Company for deposit into Escrow No. [REDACTED] as partial proceeds toward the purchase price of the Property.

1.11. Conditions Precedent to Disbursement of Funds. The City's obligation to disburse Loan proceeds is conditioned upon satisfaction of all of the following conditions ("**Loan Proceeds**):

- a. There exists no Default nor any act, failure, omission or condition that would constitute a default under this Agreement;

- b. The Borrower holds title to the Property or is acquiring title simultaneously with the disbursement of the Loan Proceeds;
- c. A title insurer reasonable acceptable to the City is unconditionally and irrevocably committed to issuing an ALTA Lender's Policy of title insurance insuring the priority of the Deed of Trust in the amount of the Loan, subject only to such exceptions and exclusions as may be reasonably acceptable to the City, and containing such endorsements as the City may reasonably require.
- d. Borrower's execution and delivery to the City of this Agreement, the Note, the Regulatory Agreement and the Deed of Trust; and
- e. Borrower's recordation of the Deed of Trust and the Regulatory Agreement in the Official Records of San Mateo County; and
- f. Borrower's submittal to the City a real estate/fair market value appraisal for the Property from an appraiser acceptable to the City, substantiating the Project's purchase price in support of the Loan. The appraisal shall be prepared and submitted to the City at Borrower's sole cost and expense.
- g. Borrower's submittal to the City a financing plan/acquisition pro forma, in the form attached hereto as Exhibit E, demonstrating financing availability for acquisition of the Project.
- h. Borrower's submittal to the City certificates of insurance, in form and with insurers admitted in California and acceptable to the City, evidencing compliance with the insurance requirements attached hereto as Exhibit F, and upon demand by City at any time subsequent. If requested by the City, Borrower shall also provide complete copies of the required insurance policies and bonds.
- i. Borrower's delivery to the City of both of the following: (i) a certified resolution indicating that Borrower has authorized this transaction and that the persons executing this Agreement on Borrower's behalf have been duly authorized to do so, and (ii) a certified copies of Borrower's articles of incorporation, bylaws, and I.R.S. tax-exemption determination letter.

1.12. Regulatory Agreement. In connection herewith, Borrower shall execute and record the Regulatory Agreement in substantially the form attached hereto as Exhibit D, which shall require that sixty-eight (68) units are occupied by households earning sixty percent (60%) or less of area median income for fifty-five years from the date that the final certificate of occupancy for the Project is delivered by the City. The repayment of the outstanding balance of the Loan and any other sums due under the Note shall not constitute grounds for termination, release, or removal of the Regulatory Agreement.

1.13. No Obligation to Disburse Proceeds Upon Default or Termination. Notwithstanding any other provision of this Agreement, the City shall have no obligation to disburse any portion of the Loan to Borrower:

- a. Upon the failure of any of Borrower's representations and warranties set forth in this Agreement to be true and correct in all material respects;
- b. Following the termination of this Agreement; or
- c. During the pendency of any uncured Event of Default.

1.14. Security.

- a. As security for the Loan, and as part of the consideration for entering into this Agreement, Borrower hereby assigns its rights under the Collateral, as defined below (the "**Assignment**"). The Assignment shall become effective upon the occurrence of an Event of Default or Termination for Infeasibility. The City shall have no obligation under the Collateral unless it expressly agrees in writing to be bound thereby. If the Assignment shall become effective, the City may use the Collateral for any purposes for which Borrower could have made use of the same in the development of the Project. Borrower shall cooperate with the City in the implementation of its rights under the Assignment and shall immediately deposit the Collateral with the City if the Assignment becomes effective. As used herein, the term "**Collateral**" includes the following: all architectural designs, construction, engineering, surveying, investigation, services, and consulting contracts, and any and all amendments, modifications, supplements, addenda and general conditions thereto heretofore or hereafter entered into by Borrower and any contractor or consultant pertaining to acquisition, development, operations, renovations, and maintenance of the Project; all due diligence documents pertaining to acquisition, development, operations, and maintenance of the Project, including any environmental due diligence documents; all plans and specifications, surveys, shop drawings, working drawings, reports, studies, amendments, modifications, changes, supplements, general conditions, addenda and work product thereto heretofore or hereafter prepared by Borrower or any contractor or consultant pertaining to development of the Project; all land use approvals, conditional use permits, building permits and other governmental entitlements and approvals of any nature obtained for the Project; and all financing applications or other applications and all other tangible documents, except those of a proprietary or confidential nature, pertaining to acquisition, development, operations, and maintenance of the Project.
- b. Deed of Trust. In addition to the Assignment, concurrent with the Borrower's execution of this Agreement, the Borrower shall execute the Deed of Trust pursuant to which City shall be provided a lien against the Property and the Project. The Deed of Trust shall be recorded in the Official Records on the date that Borrower acquires the Property.

1.15. Subordination. The Deed of Trust may be subordinated only to such loans and liens as the City may approve in writing. The City acknowledges that Borrower's construction and permanent lender(s) may require the subordination of the Deed of Trust. Borrower acknowledges that the Deed of Trust secures performance of Borrower's obligations pursuant to this Agreement

and the Regulatory Agreement which may survive repayment of the Note, and that the Deed of Trust shall not be reconveyed prior to Borrower's satisfaction of such obligations. City agrees Deed of Trust to subordinate the Deed of Trust to the following lenders on the date that Borrower acquires the Property: Housing Trust Silicon Valley and Clearinghouse CDFI ("**Senior Lenders**"). The Senior Lenders are providing financing for the acquisition of the Property and construction of the Project ("**Senior Loans**") and the City agrees to execute subordination agreements with the Senior Lenders, subject to the following conditions to be incorporated into the subordination agreements:

- a. Provided that Borrower agrees to use its best efforts to ensure that the instruments effecting such subordination for the benefit Senior Lender shall contain each of the following provisions: (i) Senior Lender shall use its best efforts to provide to the City copy of any notice of default issued to Borrower concurrently with provision of such notice to Borrower; and, (ii) City shall have the reasonable right, but not the obligation, to cure any default by Borrower within the same period of time provided to Borrower for such cure extended by an additional 90 days, (iii) provided that City has cured any default under Senior Lender's deed of trust and other loan documents, City shall have the right to foreclose the City Deed of Trust and take title to the Property without acceleration of Senior Lender's debt; and (iv) City shall have the right to transfer the Property without acceleration of Senior Lender's debt to another entity which shall own and operate the Property and Project in accordance with this Agreement, subject to the prior written consent of the Senior Lender. Borrower agrees to provide to City a copy of any notice of default Borrower receives from any Senior Lender within thirty (30) days following Borrower's receipt thereof.
- b. The subordination(s) described in this section may be effective only during the original term of the Senior Loan and any extension of its term approved in writing by the City.

1.16. City Use of Commercial Space. The City shall have the right at its sole discretion to market and approve a tenant, including lease terms to be entered into between Synergy and a commercial tenant, for the use of unoccupied commercial spaces located within the Project. The City in good faith will market the commercial space as part of the Launch Local program that pairs business with vacant commercial spaces. The City's rights pursuant to this subsection (a) shall be exercised in the following manner:

- a. The City's rights to approve a tenant for the commercial spaces identified by 216 218 Linden Avenue shall commence upon the Effective Date.
- b. The City's rights to approve a tenant for the commercial space identified by 265 Grand Avenue, currently occupied by the tenant business known as Thai Satay Restaurant, shall commence either upon any change in tenancy or change in ownership of the existing tenant business, as elected by City at its sole discretion.
- c. Rent Reduction for existing 265 Grand Avenue Tenant. As a part of the Project, Borrower shall effectuate (including but not limited to execution of any necessary agreements or lease amendments) a reduction in the monthly rent for the current tenant business known as Thai Satay Restaurant at 265 Grand Avenue in an amount

equaling the greater of twenty percent (20%) below fair market rent or \$120,000 per year, as determined by an appraisal, to ensure a long-term tenancy in the commercial space.

- d. Renovation of the Hotel and SRO units. As a part of the Project, Borrower shall commence renovation of the Hotel and SRO units within five (5) years from the disbursement of Loan Proceeds.
- e. The City and Borrower shall enter into an Operating Agreement regarding the Commercial Space portion of the Property as provided above, within six (6) months from Borrower acquiring title to the Property.

2. NON-DISCRIMINATION; PREFERENCES; COMPLIANCE WITH LAWS.

2.1. Non-Discrimination. Borrower covenants by and for itself and its successors and assigns that there shall be no discrimination against or segregation of a person or of a group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project or the Property, nor shall Borrower or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the Project. Deeds, leases, and contracts entered into by Borrower, or its successors and assigns, with respect to the Project shall contain and enforce the same diligently and in good faith any mandatory non-discrimination language required under the Regulatory Agreement.

2.2. Preferences. In order to ensure that there is an adequate supply of affordable housing within the City for City residents and employees of businesses located within the City, to the extent permitted by fair housing laws and other applicable laws, and consistent with the program regulations for funding sources used for development of the Project, at initial lease up, Borrower shall give a preference in the Project in accordance with the local preference requirements of Chapter 8.100, Local Preferences and Requirements, of the South San Francisco Municipal Code. Borrower will implement any preferences in the rental of units in the Project pursuant to a preference plan approved by its lenders, investors, and the City Manager. Notwithstanding the foregoing, in the event of a conflict between this provision and the provisions of Section 42 of the Internal Revenue Code of 1986, as amended, or any fair housing law, the provisions of such Section 42 of fair housing law shall control.

2.3. Compliance with Laws. Borrower shall carry out the acquisition, construction, development, renovation, maintenance, and operation of the Project in conformity with all applicable laws and governmental requirements, including without limitation all applicable state labor standards, City zoning and development standards, state and local historic building designation and preservation requirements, state and local building, plumbing, mechanical and electrical codes, and all other provisions of the City's Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With

Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11 135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq. and this Agreement shall not be construed as granting any such City approvals.

3. ADDITIONAL COVENANTS, REPRESENTATIONS AND WARRANTIES OF BORROWER.

3.1. Representations. Borrower represents and warrants to the City as follows:

- a. Organization of the Borrower. Borrower is a duly organized nonprofit public benefit corporation, validly existing and in good standing under the laws of the State of California. Borrower has all requisite power and authority to acquire and operate the Project, to carry on its business as now conducted, and to execute, deliver and perform its obligations under this Agreement and the Note. Borrower has received a determination from the Internal Revenue Service that it is exempt from federal tax under Section 501(c)(3) of the Internal Revenue Code of 1986 as amended.
- b. Authorization of the Loan; No Violation. The execution, delivery and performance of this Agreement and the Note have been duly authorized by Borrower, and this Agreement and the Note, when duly executed and delivered will constitute the valid and binding obligations of Borrower enforceable in accordance with their respective terms. Borrower's execution of this Agreement and the Note and performance thereunder will not result in a breach of or constitute a default under any agreement, indenture or other instrument to which Borrower is a party or by which Borrower may be bound.
- c. Litigation. There are no pending or to Borrower's knowledge, threatened actions or proceedings before any court or administrative agency which may adversely affect the financial condition or operation of Borrower or its ability to carry out the obligations of Borrower under this Agreement and the Note. Borrower is not the subject of an action under federal or state Bankruptcy Law (as defined below).

3.2. Property Management. Borrower shall maintain the Property and Project in good repair and in a neat, clean and orderly condition, reasonable wear and tear excepted, and shall comply with all of the applicable laws as set forth under Section 2.3 above. Borrower shall not cause or allow the Property and Project to be in violation of any applicable federal, state or local laws, ordinances or regulations.

3.3. Indemnification. Borrower shall indemnify, defend (with counsel approved by the City), and hold the City and its elected and appointed officers, officials, employees, contractors, agents, and representatives (all of the foregoing, collectively the "**Indemnitees**") harmless from and against any and all liabilities, losses, damages, fines, deficiencies, penalties, claims, demands, suits, actions, causes of action, legal or administrative proceedings, judgments, costs and expenses (including without limitation reasonable attorneys' fees and court costs) (all of the foregoing, collectively "**Claims**") arising directly or indirectly in any manner in connection with or resulting from, (a) any and all of Borrower's acquisition, construction, development, renovation,

maintenance, and operation of the Project on in connection therewith, including without limitation, due diligence and site investigations conducted by or for Borrower; (b) any failure of any of Borrower's representations or warranties set forth in this Agreement, or made by Borrower in connection with the execution and delivery of this Agreement or in any certificate furnished pursuant hereto, or in connection with any request for disbursement of Loan proceeds to be correct in all material respects; (c) any contract for services entered into between Borrower and a third party, or services provided to Borrower by a third party, related to the Project; and (d) any claim, demand or cause of action, or any action or other proceeding, whether meritorious or not, brought or asserted against any Indemnitee which relates to or arises in connection with the Project, the Loan, or any transaction contemplated thereby. Borrower's obligations under this Section shall survive the making and repayment of the Loan and the expiration or termination of this Agreement. Borrower's indemnity obligations shall not apply to Claims arising solely as a result of the willful misconduct or gross negligence of any of the Indemnitees.

3.4. Books and Records. The City shall have the right, during business hours and after reasonable notice to Borrower, to request copies of, inspect, and copy Borrower's books and records pertaining to the Property, the Project, and the Loan. Borrower shall comply with any request for such records within thirty (30) days. The City shall maintain the copies of Borrower's books and records in strict confidence except to the extent required to be disclosed by applicable law.

3.5. . Tax Credit Financing. Borrower shall exercise due diligence and good faith efforts to pursue and obtain nine percent (9%) Low-Income Housing Tax Credits (LIHTC) to finance the Project.

3.6. Affordable Housing. Borrower covenants and agrees for itself, its successors and assigns that sixty-eight (68) of the residential units developed within the Project shall be occupied by low income households and rented at an affordable rent in accordance with the terms hereof and the Regulatory Agreement, which the Parties shall execute substantially in the form attached hereto as Exhibit D concurrently with the execution of this Agreement, and which shall be recorded in the Official Records on the date that Borrower acquires the Property.

4. DEFAULT AND REMEDIES.

4.1. Events of Default. The occurrence of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

- a. Borrower fails to commence or complete construction of the Project within the times set forth in [REDACTED], or subject to force majeure, abandons or suspends construction of the Project prior to completion for a period of sixty (60) days or more;
- b. Unless the Loan is forgiven pursuant to the terms of this Agreement, Borrower fails to pay any amount due under the Note, and such failure continues for thirty (30) days after the City notifies Borrower thereof in writing.

- c. Any of Borrower's representations or warranties contained in this Agreement, or made by Borrower in connection with the execution and delivery of this Agreement or in any certificate furnished pursuant hereto, or in connection with any request for disbursement of Loan Proceeds, shall prove to have been incorrect when made in any material respect.
- d. Borrower fails to use Loan Proceeds in accordance with this Agreement or fails to use Loan Proceeds in accordance with Borrower's request for disbursement.
- e. Pursuant to or within the meaning of the United States Bankruptcy Code or any other federal or state law relating to insolvency or relief of debtors ("**Bankruptcy Law**"), Borrower, (i) commences a voluntary case or proceeding; (ii) consents to the entry of an order for relief against Borrower in an involuntary case; (iii) consents to the appointment of a trustee, receiver, assignee, liquidator or similar official for Borrower; (iv) makes an assignment for the benefit of its creditors; or (v) admits in writing its inability to pay its debts as they become due.
- f. A court of competent jurisdiction enters an order or decree under any Bankruptcy Law that, (i) is for relief against Borrower in an involuntary case, (ii) appoints a trustee, receiver, assignee, liquidator or similar official for Borrower or substantially all of such entity's assets, (iii) orders the liquidation of Borrower, or (iv) issues or levies a judgment, writ, warrant of attachment or similar process against the Property or the Project, and in each case the order or decree is not released, vacated, dismissed or fully bonded within sixty (60) days after its issuance.
- g. Borrower fails to maintain insurance as required pursuant to any of the City Documents, and Borrower fails to cure such default within thirty (30) days.
- h. Borrower defaults in the performance of any term, provision, covenant or agreement contained in the City Documents or under this Agreement, and unless a shorter cure period is specified for such default, the default continues for thirty (30) days after the date upon which the City shall have given written notice of the default to Borrower; provided, however, that in the case of a nonmonetary default that is not susceptible of cure within thirty (30) days, an Event of Default shall not arise hereunder if Borrower commences to cure the default within thirty (30) days and thereafter prosecutes the curing of such default to completion with due diligence and in good faith, but in no event longer than one hundred twenty (120) days from the receipt of notice of default.
- i. Borrower fails to make any payment or perform any of Borrower's covenants, agreements, or obligations under the documents evidencing and securing other Project loans, following expiration of all applicable notice and cure periods.
- j. Borrower assigns its assets for the benefit of its creditors or suffered a sequestration or attachment of or execution on any substantial part of its property, unless the property so assigned, sequestered, attached or executed upon shall have been

returned or released within ninety (90) days after such event or, if sooner, prior to sale pursuant to such sequestration, attachment, or execution. The occurrence of any of the events of default in this paragraph shall act to accelerate automatically, without the need for any action by City, the indebtedness evidenced by the City Note.

k. Borrower voluntarily suspends its business, or dissolves.

4.2. Remedies. Upon the occurrence of an Event of Default, the City shall have the following rights:

- a. To cause all indebtedness of the Borrower to the City under this Agreement and the City Note, together with any accrued interest thereon, to become immediately due and payable. The Borrower waives all right to presentment, demand, protest or notice of protest or dishonor. The City may proceed to enforce payment of the indebtedness and to exercise any or all rights afforded to the City as a creditor and secured party under the law including the Uniform Commercial Code, including foreclosure under the City Deed of Trust. The Borrower shall be liable to pay the City on demand all reasonable expenses, costs and fees (including, without limitation, reasonable attorney's fees and expenses) paid or incurred by the City in connection with the collection of the Loan and the preservation, maintenance, protection, sale, or other disposition of the security given for the Loan.
- b. To exercise the remedies under the Deed of Trust and the Assignment of Collateral pursuant to and as described in Section 1.8;
- c. To seek a judicial declaration or order of specific performance of this Agreement and/or the City Documents;
- d. In the case of an Event of Default arising under any Loan Obligation other than this Agreement, to exercise the rights under that Loan Obligation; or
- e. To terminate this Agreement.

Notwithstanding the foregoing, the loan is non-recourse to Borrower. Each of the remedies provided herein is cumulative and not exclusive of, and shall not prejudice, any other remedy provided herein or in the Note. The City may exercise any rights and remedies available at law or in equity, in addition to, and not in lieu of, any rights and remedies expressly granted in this Agreement; provided, however, that Borrower's obligation to repay the Loan shall be secured by the Assignment and the Deed of Trust without recourse to Borrower; provided however, nothing contained in the foregoing limitation of liability shall:

(A) impair the enforcement against all such security for the Loan of all the rights and remedies of the City under the Deed of Trust and any financing statements City files in connection with the Loan, as each of the foregoing may be amended, modified, or restated from time to time;

(B) impair the right of City to bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable City to enforce and realize upon the Deed of Trust, the interest in the Property and the Improvements created thereby and any other collateral given to City in connection with the indebtedness evidenced by the Note, and to name the Borrower as party defendant in any such action;

(C) be deemed in any way to impair the right of the City to assert the unpaid principal amount of the Loan as a demand for money within the meaning of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto;

(D) constitute a waiver of any right which City may have under any bankruptcy law to file a claim for the full amount of the indebtedness owed to City under the Note or to require that the Property and the Improvements shall continue to secure all of the indebtedness owed to City in accordance with the Note and the Deed of Trust; or

(E) limit or restrict the ability of City to seek or obtain a judgment against Borrower to enforce against Borrower to:

(a) recover under Borrower's indemnification obligations, or

(b) recover from Borrower compensatory damages as well as other costs and expenses incurred by City (including without limitation attorney's fees and expenses) arising as a result of the occurrence of any of the following:

(i) any fraud or material misrepresentation on the part of the Borrower, or any officer, director or authorized representative of Borrower in connection with the request for or creation of the Loan, or in this Agreement, the Regulatory Agreement or any City Document, or in connection with any request for any action or consent by City in connection with the Loan;

(ii) any failure to maintain insurance on the Property and Improvements as required pursuant to this Agreement, the Regulatory Agreement and the City Documents;

(iii) failure to pay taxes, assessments or other charges which may become liens on the Property or Improvements;

(iv) the presence of hazardous or toxic material or waste on the Property or other violation of the Borrower's obligations under Section 9.1 hereof or those sections of the Deed of Trust pertaining to environmental matters;

(v) the occurrence of any act or omission of Borrower that results in waste to or of the Property or the Improvements and which has a material adverse effect on the value of the Property or the Improvements;

(vi) the removal or disposal of any personal property or fixtures or the retention of rents, insurance proceeds, or condemnation awards in violation of the Deed of Trust;

(vii) the material misapplication of Loan Proceeds; and

(viii) the material misapplication of the proceeds of any insurance policy or award resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property or the Improvements.

4.3. Right to Cure at Borrower's Expense. City shall have the right (but not the obligation) to cure any monetary default by Borrower under a loan other than the Loan. The Borrower agrees to reimburse the City for any funds advanced by the City to cure a monetary default by Borrower upon demand therefor, together with interest thereon at the lesser of the maximum rate permitted by law or ten percent (10%) per annum from the date of expenditure until the date of reimbursement and such costs shall constitute an indebtedness secured by the City Note.

4.4. Right of Contest. Borrower shall have the right to contest in good faith any claim, demand, levy, or assessment the assertion of which would constitute a Default hereunder. Any such contest shall be prosecuted diligently and in a manner unprejudicial to the City or the rights of the City hereunder.

4.5. Remedies Cumulative. No right, power, or remedy given to the City by the terms of this Agreement or the City Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Borrower and any other person. Neither the failure nor any delay on the part of the City to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by the City of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy. Any material breach by the Borrower of any representation, warranty or covenant hereunder, which is not cured within thirty days (30) after notice thereof given by the City or, where cure is not possible within thirty (30) days, whose cure is not commenced within thirty days and diligently prosecuted to completion shall constitute an Event of Default.

5. MISCELLANEOUS.

5.1. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns. Notwithstanding the foregoing, the City's obligation to make the Loan is personal to Borrower and shall not be assignable by operation of law or otherwise absent the express written consent of the City, and any such prohibited assignment by operation of law or otherwise shall be void. The City shall not unreasonably delay, condition, or withhold its consent to an assignment of this Agreement by Borrower to a tax credit limited partnership in which Borrower or an affiliate of Borrower is a general partner.

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

- a. personal delivery, in which case notice is effective upon delivery;
- b. certified or registered mail, return receipt requested, in which case notice shall be deemed delivered on receipt if delivery is confirmed by a return receipt;
- c. nationally recognized overnight courier, with charges prepaid or charged to the sender's account, in which case notice is effective on delivery if delivery is confirmed by the delivery service;
- d. electronic mail, in which case notice shall be deemed delivered upon transmittal, provided that, (i) a duplicate copy of the notice is promptly delivered by first-class or certified mail or by overnight delivery (in which case notice shall be deemed given two business days after the duplicate is deposited in the mail), or (ii) receipt is voluntarily acknowledged by the Party to be noticed (in which case notice shall be deemed given when acknowledged).

CITY:

City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080
Attention: City Manager

BORROWER:

Synergy Community Development Corporation
600 Corporate Pointe, Suite 215
Culver City, CA 90230
Attn: William E. Rice, President

5.3. Waiver, Modification and Amendment. No failure or delay on the part of the City in exercising any right, power, or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. No modification or waiver of any provision of this Agreement, nor any consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on Borrower in any case shall entitle Borrower to any other or further notice or demand in similar or other circumstances unless expressly provided herein or by law. No amendment to or modification of this Agreement shall be effective unless and until such amendment or modification is in writing, properly approved in accordance with applicable procedures, and executed by the Parties.

5.4. Further Assurances. The Parties shall execute, acknowledge and deliver to the other such other documents and instruments, and take such other actions, as either shall reasonably request as may be necessary to carry out the intent of this Agreement.

5.5. Parties Not Co-Venturers. Nothing in this Agreement is intended to or shall establish the Parties as partners, co-venturers, or principal and agent with one another.

5.6. Action by the City. Except as may be otherwise specifically provided herein, whenever any approval, notice, direction, consent or request by the City is required or permitted under this Agreement, such action shall be in writing, and such action may be given, made or taken by the City Manager or by any person who shall have been designated by the City Manager, without further approval by the City Council unless the City Manager determines in his or her discretion that such action requires such approval.

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

5.8. No Third Party Beneficiaries. There shall be no third party beneficiaries to this Agreement.

5.9. Captions; Construction. The headings of the sections and paragraphs of this Agreement have been inserted for convenience only and shall not be used to construe this Agreement. The language of this Agreement shall be construed as a whole according to its fair meaning and consistent with the purposes for which the Parties entered into this Agreement, and not strictly for or against any Party. Time is of the essence in the performance of this Agreement.

5.10. Governing Law; Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of California without regard to principles of conflicts of law. The Parties consent to the jurisdiction of any federal or state court in the jurisdiction in which the Property is located (the “**Property Jurisdiction**”). Borrower agrees that any controversy arising under or in relation to this Agreement shall be litigated exclusively in courts having jurisdiction in the Property Jurisdiction. Borrower irrevocably consents to service, jurisdiction, and venue of such courts for any such litigation and waives any other venue to which it might be entitled by virtue of domicile, habitual residence or otherwise.

5.11. No Pledging of City's Credit. Under no circumstances shall the Borrower have the authority or power to pledge the credit of City or incur any obligation in the name of City. Borrower shall save and hold harmless City, its City Council, its officers, employees, and boards and commissions for expenses arising out of this Agreement.

5.12. Attorneys' Fees. 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 other Party all reasonable attorneys' fees and costs incurred in such action.

5.13. Severability. If any term 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 are materially altered or abridged by such invalidation, voiding or unenforceability.

5.14. Entire Agreement; Exhibits. This Agreement and the City Documents hereunder contain the entire agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes all prior oral or written agreements between the Parties with respect thereto. Exhibits attached hereto are incorporated herein by this reference.

5.15. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument.

5.16. Electronic Signature. The Parties may deliver executed copies of this Agreement to each other by electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., www.docusign.com) or other transmission method and any such signature delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. No party may raise the use of any image transmission device or method or the fact that any signature was transmitted as an image as a defense to the enforcement of this Agreement.

SIGNATURES ON FOLLOWING PAGE.

IN WITNESS WHEREOF, the Parties have executed this Loan Agreement as of the Effective Date.

**CITY OF SOUTH SAN FRANCISCO,
a municipal corporation**

By: _____

Name: _____
City Manager

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
City Attorney

BORROWER:

**SYNERGY COMMUNITY DEVELOPMENT CORPORATION
a California nonprofit public benefit corporation**

By: _____

Name: _____

EXHIBIT A
Legal Description of Project

- LOTS 15 AND 16 BLOCK 140, AS SHOWN ON THAT CERTAIN MAP ENTITLED, "SOUTH SAN FRANCISCO, SAN MATEO CO. CAL.", FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN MATEO COUNTY, STATE OF CALIFORNIA ON MARCH 1, 1892 IN BOOK "B" OF MAPS AT PAGE 6 AND COPIED INTO BOOK 2 OF MAPS AT PAGE 52.
- APN: 012-031-010; JPN 012-031-316-01A (Affects Lots 15 and 16)

DRAFT

EXHIBIT B
Form of Promissory Note

DRAFT

EXHIBIT C
Form of Deed of Trust

DRAFT

EXHIBIT D
Form of Regulatory Agreement

DRAFT

EXHIBIT E
Acquisition Proforma

DRAFT

EXHIBIT F
Insurance Requirements

DRAFT