

LOAN AGREEMENT

by and between

THE CITY OF SANTA MONICA

and

HIGH PLACE WEST, L.P.

(with Community Corporation of Santa Monica as the general partner of LP)

1942, 1946, 1948, 1950 & 1954 High Place and 2345 & 2349 Virginia Avenue
(High Place West)

New Construction; 47 Units

[Community Block Grant Housing Trust Fund, TORCA Housing Trust Fund, and City
Housing Trust Fund]

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LOAN AGREEMENT

[1942, 1946, 1948, 1950 & 1954 High Place and 2345 & 2349 Virginia Avenue]

[New Construction; 47 units]

[Community Block Grant Housing Trust Fund, TORCA Housing Trust Fund, and City
Housing Trust Fund]

This LOAN AGREEMENT ("Agreement"), entered into on this ~~16th~~ day of September 2011 ("Execution Date"), by and between the City of Santa Monica ("City"), a municipal corporation of the State of California ("Lender"), and High Place West, L.P. ("Borrower"), a California limited partnership, in which Community Corporation of Santa Monica ("CCSM"), a California nonprofit public benefit corporation, is the general partner of LP, is made with reference to the following:

R E C I T A L S

A. The Lender has established the Community Development Block Grant (CDBG) Housing Trust Fund ("CDBGHTF"), TORCA Housing Trust Fund ("THTF") and Redevelopment Housing Trust Fund ("RHTF") to make loans and grants to nonprofit affordable housing developers to preserve and develop affordable housing through the acquisition and rehabilitation of affordable housing and through the construction of new affordable housing. City administers the CDBGHTF, THTF, and RHTF pursuant to Guidelines and Procedures approved by the City on November 24, 1998, as amended from time to time ("Trust Fund Guidelines"). The source of funds for the CDBGHTF loan contemplated by this Agreement is CDBG funds received from the federal government. The source of funds for the TORCAHTF contemplated by this Agreement is revenue generated pursuant to the Tenant Ownership Rights Charter

Loan Agreement
Construction Permanent
HPW

Amendment. The source of funds for the RHTF loan contemplated by this Agreement is revenues generated through the Lender's tax increment revenue from the Earthquake Recovery Redevelopment Project Area.

B. CCSM is the fee simple owner of certain real property located within the City of Santa Monica commonly known 1942, 1946, 1948, 1950 & 1954 High Place and 2345 & 2349 Virginia Avenue, Santa Monica, California ("High Place West") and more particularly described in Exhibit A attached hereto ("Property").

C. CCSM and City entered into that certain Program Loan Agreement dated August 16, 2002, whereby Lender agreed to provide a Program Loan from its CDBG Housing Trust Fund in the amount of ONE MILLION EIGHT HUNDRED EIGHTY FIVE THOUSAND DOLLARS (\$1,885,000) ("Original Agreement"). Concurrently with the Original Agreement, CCSM executed a Program Loan Promissory Note ("Original Note") dated August 16, 2002, and secured by a Program Loan and Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents ("Original Deed of Trust") recorded against the Property on August 16, 2002 as Instrument No. 02-2117884 in the Office of the Los Angeles County Recorder (collectively "Original Loan").

D. In accordance with the Original Loan, CCSM acquired fee title to High Place West and CCSM proposed that it be redeveloped as a single project consisting of the demolition of the existing improvements and the construction of approximately 47 units of rental housing for households whose gross annual income does not exceed eighty percent of the area median income of the Los Angeles-Long Beach-Anaheim Primary Metropolitan Statistical Area (PMSA), as determined

periodically by the U.S. Department of Housing and Urban Development (HUD), adjusted for household size ("Project").

E. Thereafter, CCSM and City entered into that certain First Amended and Restated Loan Agreement dated June 23, 2006 ("First Amended and Restated Loan"), whereby City agreed to increase loan to the total amount of \$3,985,000 [of which \$2,685,000 will be from the CDBGHTF and \$1,300,000 will be from the THTF], for predevelopment activities for the Project. Concurrently with the First Amended and Restated Loan, CCSM executed a Program Loan Promissory Note ("First Note") dated June 23, 2006, secured by a Program Loan and Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents ("First Deed of Trust") recorded against the Property on June 23, 2006 as Instrument No. 06 1591783 in the Office of the Los Angeles County Recorder.

F. Thereafter, CCSM entered into that certain Second Amended and Restated Loan Agreement dated November 30, 2009 ("Second Amended and Restated Loan") to increase loan to the total amount of \$4,938,111 for off-site construction activities for the Project. Concurrently with the Second Amended and Restated Loan, CCSM executed a Program Loan Promissory Note ("Second Note") dated November 30, 2009, secured by a Program Loan and Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents ("Second Deed of Trust") recorded against the Property on November 30, 2009 as Instrument No. 20091895932 in the Office of the Los Angeles County Recorder. As of this date, \$4,834,460.94 has been disbursed to CCSM in accordance with said loan.

G. CCSM, in its capacity as general partner of Borrower, ("General Partner") and SC Community Corporation ("Limited Partner") entered into that certain Agreement of Limited Partnership dated June 23, 2011, to form Borrower. General Partner shall have exclusive control over the business of the Borrower, subject to certain approval rights of the limited partner of Borrower, and shall have all rights, powers and authority conferred by law as necessary, advisable or consistent in connection therewith.

H. Borrower has applied to the Lender for additional funds in the amount of Seven Million Eighty-Two Thousand Three Hundred Seventy Dollars (\$7,082,370) to construct forty-seven units of affordable rental housing on the Property and seeks to convert the earlier Second Amended and Restated Loan into a larger construction loan ("Loan"). Accordingly, Borrower has applied to the Lender for a loan in the amount of TWELVE MILLION TWENTY THOUSAND FOUR HUNDRED EIGHTY-ONE DOLLARS (\$12,020,481) to fund acquisition, predevelopment and construction of the Project. Lender issued a loan commitment dated July 14, 2010, whereby Lender committed to provide the requested loan.

I. The parties desire to enter into this Agreement to supersede and replace the Second Amended and Restated Loan. Concurrently with this Agreement, the Borrower shall execute a new promissory note ("Note") for the Loan amount which shall be secured by a Deed of Trust, Security Agreement and Fixture Filing with Assignment of Leases and Rents ("Deed of Trust), and a Regulatory Agreement. This Agreement, together with the Note; Deed of Trust; and the Regulatory Agreement, all entered into by and between Lender and Borrower concurrently with this Agreement

(collectively referred to herein as the "Financing Documents") sets forth the requirements of the Loan.

J. The Borrower shall construct the Project in accordance with the plan of work ("Plan of Work") set forth in Exhibit B. Subject to delays beyond the reasonable control of Borrower, the timing and phasing of the Project, including the construction work, shall conform to the project schedule ("Project Schedule") set forth in Exhibit C.

K. Accordingly, upon close of this Loan, the Second Note, the Second Amended and Restated Loan Agreement, the Second Deed of Trust, shall terminate or be reconveyed and be of no further force or effect. As an inducement to the Lender to make the Loan, the Borrower has agreed to enter into this Agreement, the Note, the Deed of Trust, and the Regulatory Agreement and has agreed to the performance of the terms and conditions set forth therein.

M. The Property is located outside a redevelopment project area, but the City Council of the City of Santa Monica and Agency have, on August 12, 2003 by Resolution No. 9883 (CCS) and Resolution No. 484 (RAS), respectively, determined that the use of housing funds from the Earthquake Recovery Redevelopment Project area outside of the Project area is and will be of benefit to the Project area.

N. The Borrower acknowledges that in obtaining the Loan, the Borrower has received a direct financial benefit from the Lender. Borrower and Lender agree and acknowledge that this Agreement is a contract providing forms of assistance to the Borrower within the meaning of Civil Code Section 1954.52 (b).

NOW THEREFORE, it is mutually agreed by and between the undersigned as follows:

1. TERM OF AGREEMENT

The term of this Agreement shall commence on the Execution Date and shall terminate (provided that no Event of Default as described in Section 10 has occurred) upon satisfaction of all of the following.

(i) Recordation of a notice of completion by Borrower, pursuant to California Civil Code Section 3093 ("Notice of Completion");

(ii) Final inspection and confirmation by the City's Housing Administrator that the Project complies with the terms and conditions of this Agreement;

(iii) Final approval by the City's Building Division for any building permits issued in conjunction with the construction of this Project, and the issuance of a Certificate of Occupancy for the Project;

(iv) Expiration of the applicable time for filing of mechanic's liens as provided in California Civil Code Section 3082 et seq ("Lien Period"); and

(v) Proof of payment of all contractors and material suppliers for the Project, including unconditional lien releases from all contractors and material suppliers who have filed a preliminary notice on the Property pursuant to California Civil Code Section 3097 ("Preliminary Notice").

After the termination of this Agreement, the Loan shall remain in effect, conditioned on Borrower's compliance with the terms and conditions of the Regulatory Agreement and subject to the provisions of the Note and the Deed of Trust.

2. CONDITIONS PRECEDENT TO CLOSING THE LOAN

The Lender agrees to close the Loan upon receipt from Borrower of the following documents, items and funds, together with any additional documents, instructions and funds necessary to comply with this Agreement:

(i) The Regulatory Agreement executed by the Lender and Borrower to be recorded in the Official Records of the Los Angeles County Recorder;

(ii) The Deed of Trust executed by Borrower ("Trustor" therein) for the benefit of Lender ("Beneficiary" therein) to be recorded in the Official Records of the Los Angeles County Recorder;

(iii) The Note executed by the Borrower in the amount of TWELVE MILLION TWENTY THOUSAND FOUR HUNDRED EIGHTY-ONE DOLLARS (\$12,020,481) and secured by the Deed of Trust;

(iv) The most recently revised estimated cost breakdown reflecting acquisition and development costs for the Project and funding sources as shown in the approved project budget ("Approved Project Budget"), attached as Exhibit D;

(v) A liability insurance policy in a form acceptable to the Lender, written by an insurance company acceptable to the Lender, naming the Lender as a Loss Payee and as an Additional Insured Party and in accordance with the Borrower Insurance Requirements set forth in Exhibit E attached hereto;

(vi) Evidence satisfactory to the Lender that Borrower has obtained construction and permanent financing commitments for the Project from a conventional lender and equity investor that equal the difference between the total development cost

of the Project, as set forth in the Approved Project Budget, and the Lender permanent financing to the Project;

(vii) Evidence satisfactory to Lender that with regard to this Project Borrower is in compliance with all applicable provisions of federal, state, and municipal law; and

(viii) Satisfaction of all other conditions precedent to funding of the Loan as contained that certain Construction and Permanent Loan Commitment letters dated July 14, 2010.

3. FUNDING OF THE LOAN

After the Lender receives and approves all of the documents and items specified in Section 2, Lender shall close the Loan. The remainder of the undisbursed Loan amount, which is \$7,186,020.06 at the time of execution of this Agreement, shall be disbursed to Borrower as follows:

A. Soft Costs. For line items in the Approved Project Budget representing soft costs, such costs shall be reimbursed according to the Disbursement Instructions attached as Exhibit F and the Request for Funds attached as Exhibit G, with the exception that an Architect Assignment shall be executed by the Borrower in favor of the Lender prior to disbursement of Loan funds for architectural services.

B. Hard Costs. For line items in the Approved Project Budget representing hard costs, after Lender's receipt and approval of all documents and items specified in Section 5(A), in amounts as necessary and approved by the Lender according to the Disbursement Instructions attached as Exhibit F and the Request for Funds attached as Exhibit G.

Funds shall be disbursed to pay costs incurred for approved line items as itemized in the Approved Project Budget. The amount to be disbursed for each line item of the Approved Project Budget shall not exceed the specified amount without the prior written approval of the Lender, which shall not be unreasonably withheld or delayed; provided, however, that after notice by Borrower to Lender, Borrower may reallocate a total amount between line items not to exceed \$10,000 during the term of this Agreement, unless approved by the Lender in writing. Borrower may not reallocate any amount from the contingency line item without prior written approval of the Lender. The Borrower may not request disbursement of funds until the funds are needed for payment of eligible costs.

The Lender shall have the right to review and approve any expenditures or disbursements from other funding sources for the construction portion of the Project.

4. SUBORDINATION

Lender agrees to subordinate its Deed of Trust and Regulatory Agreement to a deed of trust securing a loan from Wells Fargo Bank, National Association in an amount not to exceed \$12,000,000 or a permanent loan from California Community Reinvestment Corporation in the amount of \$1,315,641 and its successor and assigns with such subordination to be on terms and conditions to be approved by the Lender, provided that the terms of the subordination allow the Lender such remedies, including notice from the conventional lender or other Project funding entities and a reasonable opportunity to cure any default, as the Lender deems adequate in the Lender's reasonable discretion.

5. CONSTRUCTION

A. Conditions Precedent to Commencing Work. Borrower shall not commence the construction work until Lender has received and approved the following, which approval shall not be unreasonably withheld.

(i) A line item breakdown of the most recently revised construction hard costs, as shown in line item 3 in the Approved Project Budget (Exhibit D), which reflects the cost of the construction work outlined in the Plan of Work;

(ii) An executed Exhibit H entitled "Contractor Compliance" concerning compliance of General Contractor with that document and with this Agreement;

(iii) Evidence that General Contractor or Borrower has procured an "All-Risk" Builder's Risk insurance policy in a form acceptable to Lender, written by an insurance company acceptable to Lender, naming Lender as a Loss Payee and as an Additional Insured Party and in accordance with the Contractor Insurance Requirements set forth in Exhibit I attached hereto; and,

(iv) Architect and General Contractor Assignments which shall be executed by the Borrower in favor of the Lender, subject to assignment to a lender with priority over the Lender, prior to issuance of the building permit.

B. Plan of Work. Borrower shall carry out the construction in accordance with the plans and specifications approved by Lender and meeting all requirements of all governmental authorities having or asserting jurisdiction, and shall pay all of the costs thereof. If there is any variation between any such governmental requirements and the plans and specifications approved by Lender in its regulatory

capacity, then Borrower shall satisfy the strictest requirements except as set forth in Section 3 above. Borrower shall request written Lender approval of all change orders prior to the change orders being performed. Lender shall approve change orders in writing within seven (7) calendar days of submittal, and approval of change orders shall not be unreasonably withheld; provided, however, that any added cost resulting from change orders performed without written Lender approval shall be the sole financial responsibility of the Borrower. Lender shall have the right to review and approve expenditures or disbursements from other funding sources for the construction work, which approval shall not be unreasonably withheld.

Notwithstanding the foregoing, under extraordinary circumstances and to avoid unnecessary delays and costs in construction, Lender and Borrower agree that Borrower may proceed to perform additional work in limited circumstances ("Emergency Work") without the Lender's prior written approval of a change order provided that all of the following conditions are met:

(i) the Emergency Work has been approved by all outside construction lenders, if applicable; and

(ii) the Emergency Work is in conformity with the plans and specifications of the Project as previously approved by the Lender in writing, and has been approved in writing by Borrower's architect; and

(iii) the Emergency Work is in compliance with all applicable building and safety codes and is consistent with sound business practice; and

(iv) the Borrower determines in good faith utilizing prudent business practices that excessive delays or significant increases in costs would result from obtaining the Lender's prior written approval of the Emergency Work; and

(v) the Emergency Work is limited in amount to no more than Five Thousand Dollars (\$5,000) and shall proceed on a time and materials basis only, with markup only as allowed under the construction contract; and

(vi) the Borrower has submitted the Emergency Work to the Lender with an explanation of the extraordinary circumstances surrounding such work as described below.

Prior to the commencement of the Emergency Work, the Borrower shall notify the Lender of the Borrower's election to proceed to perform the Emergency Work. Thereafter, within two (2) days after the commencement of the Emergency Work, Borrower shall provide the Lender with the written documentation supporting the expenses incurred for the Emergency Work along with a written explanation of the extraordinary circumstances that led to Emergency Work.

After receipt of the written documentation and explanation from the Borrower for Emergency Work performed, the Lender may submit to Borrower a written objection to the Borrower's Emergency Work. In the event that the Lender submits to Borrower written objections to two separate instances of Emergency Work, then Borrower shall have no further right to invoke the Emergency Work provisions of this Section.

C. Preconstruction Conference. Prior to commencing the construction work, the Borrower, General Contractor (if applicable), subcontractors and the Lender will convene a preconstruction conference for the purpose of reviewing all

items of work to be undertaken, along with the contract budget and work schedule, disbursement procedures, scheduling of inspection requests, change orders, retention withholding and release of retention, release of payment and performance bonds, submittal of permits and required sign-offs, resolving grievances, recording the Notice of Completion and any other matters relevant to the successful completion of the Project.

D. Schedule of Work; Completion. Borrower shall commence the construction work in a timely manner in accordance with the Project Schedule in Exhibit C, or reasonably promptly thereafter, and shall prosecute the work to completion with reasonable speed and in a workerlike manner in accordance with the Project Schedule, subject to force majeure delays. Lender must approve any changes in the Project Schedule. When Borrower notifies Lender that the construction work has been completed, Borrower, the General Contractor, or in the absence of a General Contractor, each subcontractor, and the Lender will conduct a walk-through to ascertain that the construction work has been completed in accordance with the construction contract and found to be acceptable to all parties. Upon Lender's acceptance of the construction work, Borrower shall promptly record a Notice of Completion with the Los Angeles County Recorder's Office.

E. Funding of Deferred Project Costs. The following Approved Project Budget line items shall be funded according to the following schedule: 1/3 of the Developer Fee funded no earlier than upon issuance of building permit; 1/3 of the Developer Fee funded no earlier than at Certificate of Occupancy issuance; 1/3 of the Developer Fee funded no earlier than at the later of permanent loan closing or full lease-up; and all of the Capitalized Reserve at permanent loan closing.

6. GENERAL CONTRACTOR

A. Lender Approval. For the performance of any construction work on the Project requiring a general contractor, Borrower agrees to only use a general contractor licensed by the California Contractor's State License Board ("General Contractor") and licensed subcontractors, all of whom shall have been previously approved by Lender in writing, which approval shall not be unreasonably withheld. Borrower agrees not to enter into any construction contract for performance of the work set forth in this Agreement, in whole or part ("Construction Contract"), without Lender's prior written approval of the terms of the Construction Contract, which shall not be unreasonably withheld.

B. Assurances. Borrower shall obtain from the General Contractor, prior to commencing the construction work, the certification set forth in California Labor Code Section 1861 concerning workers' compensation insurance. Borrower shall require in the Construction Contract that the General Contractor will, during the performance of the Construction Contract:

(i) not discriminate against any employee, applicant for employment, or subcontractor because of age, race, sex, marital status, color, religion, sexual orientation, national origin, ancestry, or condition of having AIDS or of physical or mental disability;

(ii) comply with Title VI of the Civil Rights Act of 1964 (Public Law 88-352) and the City's Women and Minority Business Enterprise Program with regard to equal employment opportunities;

(iii) comply with HUD Section 8 Existing Housing Quality Standards, including, but not limited to applicable HUD standards for mitigation of lead paint hazard; and,

(iv) comply with all prevailing wage requirements, as they may apply.

C. Monitoring and Enforcement. Borrower shall monitor and enforce the General Contractor's compliance with the Construction Contract.

D. Performance and Payment Bonds. Borrower shall require the General Contractor to furnish:

(i) a performance bond naming the Lender as a dual-obligee, in a form acceptable to Lender, in an amount equal to the amount of the approved Construction Contract, as security for the faithful performance of the Construction Contract; and

(ii) a payment bond naming the Lender as a dual-obligee, in a form acceptable to Lender, in an amount equal to the amount of the approved Construction Contract, as security for the payment of all persons performing labor on the Project and furnishing materials in connection with the Project.

The Payment and Performance Bonds will not be released until after the expiration of the Lien Period.

E. Retention. Borrower shall withhold ten percent (10%) of each draw request for hard costs as additional security for the faithful performance of the Construction Contract. The construction loan agreement shall provide that the conventional lender will not release the accumulated retention prior to verification by

Lender that no liens have been filed within the Lien Period, or that adequate security has been provided for any existing mechanic's liens on the Property.

F. Prevailing Wage Requirements. Borrower agrees that all construction workers performing construction work on the Project shall be compensated in an amount no less than the applicable prevailing wage pursuant to Santa Monica Municipal Code Section 7.28.30, as amended from time to time, as well as applicable federal and state law. In connection with the Project, Borrower agrees to the following:

(i) Borrower shall exercise its best efforts to review the bids submitted to ascertain that the bids include calculation of prevailing wages;

(ii) Borrower's construction contract with the contractor shall contain a provision that obligates the contractor and all of the subcontractors to pay the applicable prevailing wage;

(iii) Borrower's construction contract shall contain the prevailing wage determination provided to the Borrower by Lender;

(iv) Borrower shall require its General Contractor to post a copy of the Project Wage Rate Sheet and a copy of the U.S. Department of Labor poster called the Notice to Employees at the job site in a place that is easily accessible and clearly visible to all of the construction workers employed at the project and where the wage decision and poster will not be destroyed by wind or precipitation;

(v) Borrower shall cooperate fully with the Lender and its designees in connection with prevailing wage investigations.

G. Remedies for Underpayment. In the event of underpayment of wages by Borrower (or by its General Contractor or subcontractors), the Lender may, in

addition to other remedies afforded by this Agreement or applicable law, pursue the following:

(i) Demand that any underpaying employer comply with applicable prevailing wage requirements;

(ii) Demand the underpaying employer pay the difference between the applicable prevailing wage rates and the amount actually paid to the underpaid employee;

(iii) Impose on the underpaying employer liquidated damages in the form of a forfeiture in an amount not to exceed fifty dollars (\$50.00) per calendar day for each underpaid employee, the amount of such forfeiture to be determined in accordance with the standards set forth in California Labor Code Section 1775, which may be amended from time to time;

(iv) Withhold from Borrower the following: (a) any loan proceeds in an amount equal to (a) the total necessary to compensate workers the full wages required by this Loan Agreement; (b) the amount of any fines and/or liquidated damages imposed by the Lender; and (c) the Lender's investigative costs as set forth in Section 6(vi), below;

(v) Pursue any administrative, legal or equitable remedies to enforce the requirements against any underpaying employer;

(vi) Impose upon the Borrower one-half of the Lender's investigative costs incurred in investigating the violation of prevailing wage as set forth in this subsection. Investigative costs for purposes of this section shall consist of the Lender's ordinary and customary costs in monitoring prevailing wage compliance less

the liquidated damages assessed by the Lender pursuant to subsection iv above. Borrower's liability for investigative costs pursuant to this subsection shall not exceed \$7,500.

Any underpaying employer shall comply with any demand to pay any amounts lawfully due under this section within ten (10) calendar days of said demand. In addition, an underpaid employee shall have a right to pursue any administrative, legal or equitable remedies to enforce the above requirements against any underpaying employer.

The remedies set forth in this section are in addition to other remedies available under this Agreement as well as applicable local, state and federal law.

7. MATERIALS, EQUIPMENT, FIXTURES

Except for laundry equipment leases, no materials, equipment, fixtures, carpets, appliances, or any other part of the improvements shall be purchased or installed under conditional sales agreements, leases or under other arrangements wherein the right is reserved or accrues to anyone to remove or to repossess any such items without the prior written consent of Lender. It is expressly agreed that all such items are a part of the Property described in Exhibit A.

8. LIENS

In the event of the filing with the Lender of a stop notice or the recording of a mechanic's lien pursuant to California Civil Code Section 3082 et seq. relating to liens upon real property, and in the event Borrower fails to furnish the Lender with a bond causing the notice or lien to be released or provide adequate security acceptable to the Lender for the payment thereof within ten (10) days of filing or recording, then such

failure, at the option of the Lender after notice and expiration of the applicable cure period, shall constitute a default under the terms of this Agreement, the Regulatory Agreement, the Deed of Trust and the Note.

9. INDEMNIFICATION AND HOLD HARMLESS

A. Borrower shall indemnify, defend and hold harmless the Lender, members of the Lender's City Council, together with the Lender's boards and commissions, officers, directors, agents, representatives and employees (collectively the "Indemnitees") from and against any and all loss, damages, liability, claims, suits, costs and expenses, whatsoever, including reasonable attorneys' fees, regardless of the merit or outcome of any such claim or suit, arising from or in any manner connected to the acquisition, construction or operation of the Project in violation of the requirements of this Agreement or other Financing Documents regardless of the active or passive negligence of the Indemnitees, except as otherwise stated herein.

B. Borrower shall not be required to indemnify the Indemnitees for claims and losses arising from the Indemnitee's sole and active gross negligence, or willful or malicious acts of misconduct.

C. The indemnification provided by this Section shall commence on the date the Loan is funded and shall terminate on the date that the Loan is paid in full pursuant to the provisions of the Note; however, Borrower shall defend, indemnify and hold harmless the Indemnitees for all claims based upon occurrences alleged prior to such payment in full. This duty to indemnify shall survive the termination of this Agreement.

10. DEFAULT BY THE BORROWER; NOTICE AND CURE PERIODS

A. Event of Default.

The occurrence of any of the following shall constitute an "Event of Default" under this Agreement:

(i) Borrower's failure to perform any obligation under this Agreement, the Deed of Trust, the Note, the Regulatory Agreement or any other agreement between the parties executed in connection with the Loan;

(ii) Borrower becomes the subject of an order of relief by a bankruptcy court which is not dismissed within 90 days, or is persistently unable or admits its inability to pay its liabilities as they mature, or makes an assignment for the benefit of its creditors;

(iii) Borrower applies or consents to the appointment of any receiver, custodian or liquidator or such is appointed without the application or consent of Borrower and the appointment continues undischarged or unstayed for a period of 120 days;

(iv) Borrower institutes any bankruptcy, insolvency, reorganization, dissolution, liquidation or similar proceedings, or any similar proceeding is instituted without the consent of Borrower, and continues undischarged or unstayed for a period of 120 days; or

(v) Borrower is in default under any other document or security instrument (a) relating to the acquisition, ownership, construction, operation or financing of the Project; or (b) secured now or later against the Property.

B. Notice of Event of Default.

Prior to declaring an Event of Default, the Lender shall give written notice thereof ("Notice of Default") to the Borrower and to any lender who has requested such notice by certified mail addressed to the Borrower at the address stated in this Agreement and to any lender requesting such notice at the address set forth in the request for notice from such lender, or such other addresses as may have been designated by such parties from time to time in writing. The written Notice of Default shall specify the nature of the default, the remedial actions necessary to cure the default, and a reasonable time period (not less than the time periods set forth in Section 10(C) below) after receipt of the Notice of Default to commence remedial actions. If the default is not cured to the reasonable satisfaction of the Lender within the cure period, the Lender may, without further prior notice, declare in writing an Event of Default under this Agreement effective on the date of such declaration. Any cure made or tendered by Borrower's limited partner shall be accepted as though it was made by Borrower.

C. Cure Period.

The following shall constitute the cure periods under this Agreement:

(ii) The cure period for Borrower's failure to perform any non-monetary obligation shall be sixty (60) days after Lender gives Borrower written notice of such failure to perform; provided, however, in the event Borrower cannot reasonably cure such failure within such sixty (60) day period, such failure shall not constitute an Event of Default hereunder so long as Borrower commences to cure such failure within such sixty (60) day period and thereafter diligently prosecutes such cure to completion to the satisfaction of the Lender.

D. Lender's Rights Upon Event of Default.

Upon the declaration of any Event of Default hereunder, the Lender shall have the rights and remedies set forth in this Agreement, as well as any right or remedy provided for in the Deed of Trust, by law, or in equity. In addition, the Lender shall be released from any and all obligations to the Borrower under the terms of this Agreement and the Lender may terminate this Agreement forthwith by giving written notice thereof to the Borrower.

E. Remedies Cumulative.

The remedies of the Lender herein, or under any other instrument providing for or evidencing the financial assistance provided herein, are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of all remedies and shall not preclude the exercise by the Lender of any one or more of its other remedies.

F. Non-Recourse.

The parties intend that the Note secured by the Deed of Trust shall be a non-recourse note. Therefore, the Lender's remedy in an Event of Default under the Deed of Trust or the Note secured thereby or the Regulatory Agreement shall be limited to foreclosure of the Property encumbered by the Deed of Trust or the exercise of power of sale and the other rights granted under the Deed of Trust, and the Lender shall have no right to obtain a deficiency judgment after such a foreclosure. This provision shall not apply in the event of Borrower's fraud, willful misappropriation, waste or intentional damage to the Property.

11. PROHIBITION AGAINST TRANSFER

This Agreement is binding upon the parties hereto and their respective successors and assigns. Except in connection with the senior conventional financing as approved by Lender, Borrower shall not assign, sublease, hypothecate, or transfer this Agreement or any interest herein directly or indirectly, by operation of law or otherwise, without the prior written consent of the Lender which consent shall not be unreasonably withheld. Any attempt to do so without said consent shall be null and void, and any assignee, sublessee, hypothecatee or transferee shall acquire no right or interest by reason of such attempted assignment, hypothecation or transfer. Any remaining balance of the Loan shall become due and payable in full upon any assignment, sublease, sale or transfer of ownership of the Property. Notwithstanding anything to the contrary contained herein: 1) the limited partner interest in the Borrower shall be transferable without the consent of the Lender, however, the Lender should be notified in writing following any such transfer of the limited partner interest; and 2) Borrower may enter into residential leases and laundry leases in accordance with the terms of the Regulatory Agreement in the ordinary course of business for the Project without the prior written consent of the Lender.

12. CONSTRUCTION NOTICES

Borrower agrees that copies of all Preliminary Notices delivered to Borrower, or to the Property addressed to the Lender or to "Private Lender" shall be promptly delivered to the Lender. Borrower further agrees that the Lender's agents shall have the right at all times to enter upon the Property and post notices of non-responsibility pursuant to California Civil Code Section 3094 or such other notices and other written or printed material thereon as Lender may deem reasonably necessary or desirable for its protection. This Section 12 shall survive the termination of this Agreement.

13. TIME OF ESSENCE

Time is of the essence in this Agreement and each and every provision hereof. The waiver by the Lender of any breach or breaches hereof shall not be deemed nor shall the same constitute a waiver of any subsequent breach or breaches.

14. INTEGRATED AGREEMENT

This Agreement is made for the sole benefit and protection of Borrower and the Lender and their successors and assigns, and no other person shall have any right of action or right to rely thereon. This Agreement, the Note, the Deed of Trust, and the Regulatory Agreement contain all of the terms and conditions agreed upon between the parties, and no other agreement regarding the subject matter hereof shall be deemed to exist or bind any party unless in writing and signed by the parties and approved as to form by Lender's Counsel.

15. GENDER

Wherever the context of this Agreement requires, the singular shall include the plural and the masculine gender shall include the feminine and/or neuter.

16. NOTICES

All notices required to be given herein shall specify the address of the Property and shall be deemed served upon personal service or five (5) calendar days after deposit in certified first-class United States mail, postage prepaid, and addressed to the parties as follows:

If to the Borrower: High Place West, L.P.
c/o Community Corporation of Santa Monica
1423 Second Street, Suite B
Santa Monica, California 90401
Attention: Executive Director
Facsimile: (310) 395-4336

and with a copy to: Bocarsly Emden Cowan Esmail & Arndt LLP
633 West Fifth Street, 70th Floor
Los Angeles, California
Attention: Lance Bocarsly
Facsimile: (213) 559-0733

If to Investor: Wincopin Circle LLLP and Enterprise Neighborhood
Partners IV LLLP
c/o Enterprise Community Investment, Inc.
10227 Wincopin Circle, Suite 810
Columbia, Maryland 21044
Attention: General Counsel
Facsimile: (410) 772-2630

and with a copy to: Gallagher Evelius & Jones LLP
218 N. Charles Street, Suite 400
Baltimore, Maryland 21201
Attention: Kenneth S. Gross
Facsimile: (410) 468-2786

If to Senior Lender: Wells Fargo Bank, National Association
333 Market Street, 18th Floor
San Francisco, California 94105
Attention: Thomas Demchuk
Facsimile: (415) 371-3400

If to Bondholder 390 Greenwich Street, 2nd Floor

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Representative or Servicer: New York, New York 10013
Attention: Desk Head, Transaction Management
Group
Loan/Transaction/File #10-7041270
Facsimile: (212) 723-8642

AND
325 East Hillcrest Drive, Suite 160
Thousand Oaks, California 91360
Attention: Operations Manager/Asset Manager
Loan/Transaction/File #10-7041270
Facsimile: (805) 557-0924

With a copy to: Citi Community Capital
One Sansome Street, 26th Floor
San Francisco, California 94104
Attention: Marla Victorio
Loan/Transaction/File #10-7041270
Facsimile: (415) 627-6387

And a copy of any notices of
default sent to: 388 Greenwich Street
New York, New York 10013
Attention: General Counsel's Office
Loan/Transaction/File #10-7041270
Facsimile: (212) 723-8939

If to City of Santa Monica: City of Santa Monica
If to Lender: 1901 Main Street, Suite B
Santa Monica, California 90405
Attn: Housing Manager

With copies to: City of Santa Monica
City Attorney's Office
1685 Main Street, Room 310
Santa Monica, California 90401
Attn: City Attorney

17. GOVERNING LAW

This Agreement shall be construed in accordance with and governed by the laws
of the State of California.

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18. COST OF LITIGATION

If any legal action is necessary to enforce any provision hereof, or for damages by reason of an alleged breach of any provisions of this Agreement, the prevailing party shall be entitled to receive from the losing party all costs and expenses and such amount as the court may adjudge to be reasonable attorneys' fees for the costs incurred by the prevailing party in such action or proceeding. The prevailing party shall be entitled to recover an amount equal to the fair market value of legal services provided by attorneys employed by it as well as any attorneys' fees paid to third parties.

19. AMENDMENT

This Agreement shall not be altered or amended except by writing executed between the parties and approved as to form by the Lender's Counsel. No such amendment shall be effective without the prior written approval of the Lender.

20. PARTIAL INVALIDITY

If any provision of this Agreement shall be found to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

21. WAIVER

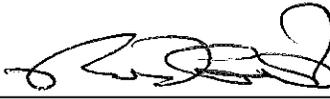
No waiver by the Lender of any breach of or default under this Agreement shall be deemed to be a waiver of any other or subsequent breach thereof or default hereunder.

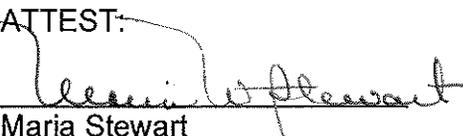
22. INCORPORATION OF RECITALS AND EXHIBITS

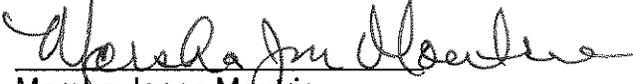
The Recitals set forth above and Exhibits A through I attached hereto are incorporated herein and made a part of the terms and conditions of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first above written.

CITY:
CITY OF SANTA MONICA

By: 
Rod Gould
City Manager

ATTEST:

Maria Stewart
City Clerk

APPROVED AS TO FORM:

Marsha Jones Moutrie
City Attorney

BORROWER:
High Place West, L.P.
a California Limited
Partnership

By: Community Corporation
of Santa Monica, a
California nonprofit
public benefit
corporation, its general
partner

By: 
Sarah Letts
Executive Director

EXHIBIT A

Legal Description of Property

The following describes the real property:

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

Lot 1 of Tract No. 67428, in the City of Santa Monica, County of Los Angeles, State of California, as per map recorded in Book 1365, Pages 44 to 46 inclusive of Maps, in the Office of the County Recorder of said County.

Except therefrom all oil, oil rights, minerals, mineral rights, natural gas, natural gas rights, and other hydrocarbons by whatsoever name known that may be within or under the parcel of land hereinabove described, together with the perpetual right of drilling, mining, exploring and operating therefore and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from land other than those hereinabove described, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land hereinabove described, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines, without, however, the right to drill, mine, explore and operate through the surface or the upper 100 feet of the subsurface of the land hereinabove described or otherwise in such manner as to endanger the safety of any highway that may be constructed on said lands.

Said rights were reserved in deeds recorded January 27, 1961, in Book D-1105, Page 794, Official Records, on January 9, 1962, in Book D-1472, Page 836, Official Records, and on March 13, 1962, in Book D-1541, Page 616, Official Records.

Assessor's Parcel Numbers

4274-002-026, 027, 028, 029, 030, 031, 034, now 4274-002-037

(For the purposes of complying with Civil Code Section 3097 only, the street address of said properties are 1942, 1946, 1948, 1950 & 1954 High Place and 2345 & 2349 Virginia Avenue.)

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EXHIBIT B

Plan of Work

Construction of forty-seven (47) units of affordable rental housing in accordance with the Architectural Review Board approval numbers 09-008 dated February 2, 2009 and the set of Construction plans stamped and approved by the City of Santa Monica on June 7, 2011.

EXHIBIT C

Project Schedule

Site Acquisition (completed)	August 2002
Development Review, Tentative	
Tract Map and EIR Approved (completed)	December 2007
Architectural Review Board Approval (completed)	February 2009
Building Permit Issued (completed)	March 2011
Construction Start	September 2011
Construction Complete	May 2013

EXHIBIT D

Approved Project Budget

	TOTAL BUDGET
ACQUISITION	
Land Cost	2,308,500
Purchase	
Appraisal	2,250
Closing Cost	26,185
Holding Costs	349,202
<hr/>	
SUBTOTAL: ACQUISITION	2,686,137
<hr/>	
CONSTRUCTION	
Off-site improvements	89,585
Special: Utility Removal and Installation	144,537
Special: Demolition of High Place	23,985
Special: High Place Park	56,444
Environmental Abatement	62,700
Demolition/Site Work	200,000
Special: Construction of 22' alley and stormwater line	296,124
Special: Offsite demolition of alley in back	8,458
Construction (structures, parking, p. wage)	11,143,407
Construction (profit, overhead, gen. Cond.)	1,337,222
Additional Cost	2,194,347
Construction Contingency	780,391
Design/Estimating Contingency	491,646
Insurance & Bond	267,389
<hr/>	
SUBTOTAL: HARD COSTS	17,096,235
<hr/>	
SOFT COSTS	
TECHNICAL CONSULTANTS	
Vacation - Civil Engineering	28,850
Environmental Consultants	13,338
Architect	632,588
LEED Consultant	23,500
Landscape Architect	-
MEP Engineer	-
Structural Engineer	-

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Civil Engineer	-
Shoring Design	-
Surveyor and Utilities	30,700
Soils Engineer	40,950
Deputy Inspector	194,675
Construction Manager	125,000
Other Consultants	47,002
SUBTOTAL: TECHNICAL CONSULTANTS	1,136,603
FINANCING INTEREST & FEES	
Predevelopment Interest Reserve	-
Construction Interest Reserve	450,450
Bridge Loan Interest Reserve	444,746
Construction Lender Fees	120,000
Bond Transaction Costs	400,200
Bank Construction Monitoring	36,000
Bridge Loan Fees	-
Title & Recording (all lenders)	40,000
Appraisal (bank)	12,500
Permanent Lender Fees	7,185
SUBTOTAL: FINANCING INTEREST & FEES	1,511,081
LEGAL FEES	
Lender Legal Costs paid by Applicant	-
Real Estate Legal	80,000
Syndication Legal	60,000
Other Legal	26,567
SUBTOTAL: LEGAL FEES	166,567
RESERVES	
Capitalized Replacement Reserve	-
Capitalized Operating Reserve	234,747
Other Reserves	55,000
SUBTOTAL: RESERVES	289,747
OTHER SOFT COSTS	
Developer Fee -- Construction Period Portion	701,475
Developer Fee -- Permanent Period Portion	-

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TCAC Application/Allocation/Monitoring Fees	28,636
Local Permits and Fees	319,600
Relocation	177,119
Security	90,000
Marketing	5,000
Lease-Up	44,650
Furnishings	30,000
Accounting / Audit	18,000
Administrative and Organizational	14,000
Market Study	6,500
Real Estate Taxes	378,250
Liability Insurance	87,000
All Risk Insurance	82,000
SUBTOTAL: OTHER SOFT COSTS	1,982,230
SUBTOTAL: SOFT COSTS	5,086,226
SOFT COST CONTINGENCY	406,898
TOTAL SOFT COSTS	5,493,124
TOTAL DEVELOPMENT COST	25,275,497

EXHIBIT E

Borrower Insurance Requirements

Borrower shall procure and maintain at Borrower's own cost and expense, for the duration of the Note, the following insurance against claims for injuries to persons or damages to property that may arise against the Property.

A. Minimum Scope and Limits of Insurance

Borrower shall maintain limits no less than:

1. Commercial General Liability: Three Million Dollars, (\$3,000,000), combined single limit per occurrence for bodily injury and property damage.
2. Worker's Compensation and Employer's Liability: Worker's Compensation limits as required by the Labor Code of the State of California and Employer's Liability limits of One Million Dollars (\$1,000,000), per accident.
3. Property Insurance: An "All Risk" Property Insurance Policy or where applicable a "Builder's Risk" Policy with permission to occupy endorsement in an amount of no less than 100% full replacement value on all improvements now existing or hereafter constructed on the Property. There shall be no coinsurance penalty provision. Such policy shall be endorsed to provide rental income interruption coverage for up to one year based upon the gross rental income for the Property.

B. Other Insurance Provisions

The general liability policy is to contain the following provision:

The City of Santa Monica, members of its City Council, together with its boards and commissions, officers, agents and employees are to be covered as insured arising from or in any manner connected to Borrower's business, activities, operations, services, work, or ownership of said Property.

The Property Insurance policy shall contain the following provisions:

1. Policy to be endorsed with a standard mortgagee clause listing the Lender as a Loss Payee and Additional Insured.
2. The insurer shall waive all rights of subrogation against the Lender.

C. All Coverages

Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) day's prior written notice by certified mail, return receipt requested, has been given to the Lender.

D. Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:6, or other rating approved in writing by the City acting on behalf of the Lender.

E. Verification of Coverage

Borrower shall furnish the Lender with original certificates and amendatory endorsements effecting coverage required by this clause. The certificates and endorsements should be on forms provided by the City or on other than the City's forms, provided those endorsements or policies conform to the requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

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EXHIBIT F

Disbursement Instructions

All Loan funds of the Project shall be maintained by the Lender and shall be disbursed to Borrower only upon receipt and approval of a draw request. The Housing Staff shall:

- 1) Represent the Lender in monthly construction meetings for the Project.
- 2) Prior to each monthly meeting, visit Project site and review status of Plan of Work.
- 3) Review, evaluate and recommend to the Housing Manager draw requests.
- 4) Require assurance from Borrower that all appropriate conditional and or unconditional lien releases have been provided for pending draw requests and, if applicable, require Borrower to verify that all conditional and or unconditional lien releases have been provided to the Lender for the previous draw request.
- 5) Upon Project completion require Borrower to ensure that: a) all construction work has been completed according to construction contract and plan specifications; b) Lender has approved and found acceptable the completion of the work; c) the General Contractor has filed a Notice of Completion; d) all liens have been identified through a review of the title search, and have been cleared.

The disbursement process shall be as follows:

- 1) Borrower will submit draw request for funds to Housing Staff using the attached disbursement request form, Exhibit G.
- 2) Borrower will submit a copy of the building permit, if applicable, with a sign-off by the Building and Safety inspector along with the request for disbursement of funds.
- 3) Housing Manager will review disbursement request and either submit approved total request to City Finance Department for disbursement, or, in the case of funds controlled jointly by Lender and Borrower, directly authorize the disbursement of funds from the joint account to Borrower.
- 4) Finance Department will issue a check, which it forwards to the Housing Office. Borrower may pick up the check from the Housing Office, or request that it be mailed. Only upon written authorization from Borrower will the Housing Office release the check to the Contractor.

EXHIBIT G

Request for Funds

BORROWER: _____

PROJECT ADDRESS: _____

GENERAL CONTRACTOR: _____

Pursuant to the Loan Agreement for the above referenced project, request for Lender approval of withdrawal from funds for the following expenses is hereby requested:

Line Item	Description	Approved Budget	Previous Draws	Current Draw	Balance

LOAN SUMMARY- CITY USE ONLY	
TOTAL LOAN AMOUNT:	
LESS: DISBURSED AT CLOSING:	
PREVIOUS DRAWS:	
PREVIOUS RETENTION:	
PREVIOUS LOAN BALANCE:	

PAY DRAW NO. _____	SUMMARY
DRAW REQUEST:	
LESS: 10% RETENTION:	()
AMOUNT TO BE DISBURSED:	
CURRENT LOAN BALANCE:	

BORROWER APPROVAL

HOUSING MANAGER APPROVAL

Date

Date

EXHIBIT H

Contractor Compliance

The undersigned is the General Contractor ("Contractor") for the Project covered by the attached Loan Agreement ("Agreement").

The Contractor understands that the City of Santa Monica ("Lender") will not make the Loan referred to in the Agreement, the net proceeds of which are to be used pursuant to the Agreement in the acquisition and construction of the Project, unless the Contractor agrees to comply with the terms of the Agreement.

The Contractor has read the Agreement and has been furnished with a copy of it. Contractor understands the provisions of the Agreement, and in order to induce the Lender to make the Loan, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Contractor agrees to be bound by the Agreement in its construction of the Project. The Contractor, without limitation on the foregoing, specifically agrees (1) to commence construction of the proposed improvements promptly, and (2) to continue such construction with reasonable speed and in a worker-like manner, and (3) to complete such improvements promptly in accordance with the plans and specifications described in the Agreement, including any specifications prescribed by the Lender and with all requirements of all governmental authorities having or asserting jurisdiction.

CONTRACTOR:

(signature)

License No.

Name (print)

Date

Title

EXHIBIT I

Contractor Insurance Requirements

Prior to commencing work, Contractor shall procure and maintain at Contractor's own cost and expense, for the duration of the contract, the following insurance against claims for injuries to persons or damages to property that may arise from or in connection with the performance of the work or services hereunder by the Contractor, the Contractor's agents, representatives, employees or subcontractors.

A. Minimum Scope and Limits of Insurance.

Contractor shall maintain limits no less than:

1. Commercial General Liability: One Million Dollars (\$1,000,000), combined single limit per occurrence for bodily injury and property damage.
2. Comprehensive Automobile Liability: One Million Dollars (\$1,000,000), combined single limit per accident for bodily injury or property damage.
3. Worker's Compensation and Employer's Liability: Worker's Compensation limits as required by the Labor Code of the State of California and Employer's Liability limits of One Million Dollars (\$1,000,000), per accident.

B. Other Insurance Provisions

The general liability and automobile liability policies are to contain the following provisions:

1. The City of Santa Monica ("Lender"), members of its City Council, together with its boards and commissions, officers, agents and employees are to be covered as insured arising from or in any manner connected to Contractor's business, activities, operations, services, work, or ownership in connection with the Project.
2. The insurer shall waive all rights of subrogation against the Lender.

C. All Coverage

Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) day's prior written notice by certified mail, return receipt requested, has been given to the Lender.

D. Acceptability of Insurers

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:6, or other rating approved in writing by the Lender.

E. Verification of Coverage

Contractor shall furnish the Lender with original certificates and amendatory endorsements effecting coverage required by this clause. The certificates and endorsements should be on forms provided by the Lender or on other than the Lender's forms, provided those endorsements or policies conform to the Lender's requirements. All certificates and endorsements are to be received and approved by the Lender before work commences. The Lender reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

F. Inclusion of Subcontractors

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Contractor shall include all subcontractors as insured under its policies or shall furnish separate certificates and endorsements for each subcontractor. All coverage for subcontractors shall be subject to all of the requirements stated herein.