

**LOAN AGREEMENT
(CDBG Deferred Payment Loan)**

THIS LOAN AGREEMENT (“Agreement”), dated for reference purposes only on **[DATE]**, is made and entered into, by, and between PARENTS AND FRIENDS, INC. (PFI), a California non-profit organization (hereinafter referred to as “**Borrower**”), and the CITY OF FORT BRAGG, a California municipal corporation, (hereinafter referred to as the “**City**” or “**Lender**”) with reference to the following facts:

RECITALS

A. Borrower owns the property commonly described as 350 Cypress Street, Fort Bragg, California, 95437, and legally described at Exhibit “A” attached hereto and by this reference incorporated herein (the “**Property**”). For the purposes of this Agreement, the most eastern building on the Property, which operates as a business and is under lease is not included as the Property.

B. The City participates in the Community Development Block Grant (“**CDBG**”) Program (42 U.S.C. Section 5300 et seq.) (the “**Program**”) for the purpose of conserving and improving the supply of decent, safe, sanitary, and affordable housing and living conditions, principally for low- and moderate-income persons.

C. Borrower has applied for and been awarded assistance for the benefit of the Property as an Activity under the City’s 2017 Program Grant #17-CDBG-12020. Specifically, the City has awarded assistance to Borrower to construct residential units on the Property in accordance with the final plans, specifications, and work write-up approved by the City (the “**Project**”).

D. The Borrower occupies the Property for the purpose of providing services to a limited clientele concluded to be primarily low and moderate income persons, and will provide housing to limited clientele concluded to be primarily low income, which meets the Program’s National Objective of benefitting low and moderate income persons.

NOW THEREFORE, in consideration of the mutual covenants and conditions set forth below, the parties hereto agree as follows:

1. DEFINITIONS

For purposes of this Agreement, the following terms shall have the meanings set forth below:

The term “**Agreement**” has the meaning ascribed to it in the first paragraph of this Agreement.

The term “**Borrower**” has the meaning ascribed to it in the first paragraph of this Agreement.

The term “**City**” or “**Lender**” have the meaning ascribed to them in the first paragraph of this Agreement.

The term “**City Loan**” has the meaning ascribed to it in Section 2.1 of this Agreement.

The term “**Deed of Trust**” has the meaning ascribed to it in Section 2.4.2 of this Agreement.

The term “**Note**” has the meaning ascribed to it in Section 2.4.1 of this Agreement.

The term “**Notice of Right to Cancel**” has the meaning ascribed to it in Section 2.4.4 of this Agreement.

The term “**Program**” has the meaning ascribed to it in Recital “B” of this Agreement.

The term “**Project**” has the meaning ascribed to it in Recital “C” of this Agreement.

The term “**Project Completion Date**” means the date Project work is completed as shown on a properly executed Certificate of Completion that is accepted by City.

The term “**Property**” has the meaning ascribed to it in Recital “A” of this Agreement.

The term “**Restrictive Covenant**” has the meaning ascribed to it in Section 2.4.5 of this Agreement.

The term “**Term**” has the meaning ascribed to it in Section 2.3 of this Agreement.

The term “**Transfer**” shall mean any voluntary or involuntary sale, lease, rental, conveyance, bequest, devise, inheritance, or other transfer of title or any interest into the Property, including a transfer to an inter vivos trust.

The term “**Triggering Event**” shall mean an event that triggers the requirement that Borrower repay all or a portion of the principal of the City Loan, and any interest accrued thereon, as provided in Section 3.2 of this Agreement.

The term “**Truth-in-Lending Disclosure**” shall have the meaning ascribed to it in Section 2.4.3 of this Agreement.

2. LOAN OF FUNDS

2.1 Loan Amount. Subject to the terms and conditions of this Agreement, City agrees to loan to Borrower, and Borrower hereby agrees to repay to City, the principal sum of Two Million, Eight Hundred Two Thousand, Eight Hundred Eighty Dollars (\$2,802,880) (the “**City Loan**”). The proceeds of the City Loan shall be used for the sole purpose of funding the Project. Two Million, Five Hundred Twenty-Four Thousand Dollars (\$2,524,000) of the City Loan shall be used by Borrower for construction of the Project. The remaining Two Hundred Seventy-Eight Thousand, Eight Hundred Eighty Dollars (\$278,880) of the City Loan shall be used by the Borrower for any non-construction Project costs, permit fees and labor standards compliance.

2.2 Interest. No interest shall accrue on the principal balance of the City Loan.

2.3 Term. The term of the City Loan shall be twenty (20) years from the Project Completion Date (the “**Term**”).

2.4 Required Documentation. The City shall not disburse any funds until after all of the following documents are executed:

2.4.1 Note. A Note Secured by Deed of Trust (the “**Note**”) in the form of Exhibit “B” attached hereto and by this reference incorporated herein.

2.4.2 Deed of Trust. A Deed of Trust (the “**Deed of Trust**”) in the form of Exhibit “C” attached hereto and by this reference incorporated herein.

2.4.3 Truth-In-Lending Disclosure. A Truth-in-Lending Disclosure (the “**Truth-in-Lending Disclosure**”) in the form of Exhibit “D” attached hereto and by this reference incorporated herein.

2.4.4 Notice of Right to Cancel. A Notice of Right to Cancel (the “**Notice of Right to Cancel**”) in the form of Exhibit “E” attached hereto and by this reference incorporated herein.

2.4.5 Restrictive Covenant. A Restrictive Covenant (the “**Restrictive Covenant**”) in the form of Exhibit “F” attached hereto and by this reference incorporated herein.

2.5 Disbursement of Funds. The City shall disburse City Loan funds designated for Property construction directly to the contractors and vendors engaged in the construction of the Project, consistent with the Project construction and purchasing contracts. In the event that the City disburses less than the full amount of the City Loan for the Project, the difference between the amount disbursed and the full amount of the

City Loan shall be considered a partial prepayment of the City Loan under Section 3.4 of this Agreement.

3. REPAYMENT OF CITY LOAN

3.1 Repayment of City Loan. Borrower shall repay the principal amount of the City Loan upon the occurrence of a Triggering Event during the Term. The amount to be repaid shall be determined in accordance with Section 3.5 of this Agreement. Borrower has no obligation to make periodic payments of principal during the Term except as provided in Section 3.4. For every five (5) years following the Project Completion Date the amount of the City Loan due and payable shall be reduced by twenty-five percent (25%). If, upon the conclusion of the Term, no Triggering Event has occurred, the entire principal balance of the City Loan shall be forgiven.

3.2 Events Triggering Repayment. The principal amount of the City Loan and any other amounts due under this Agreement and the Note will be immediately due and payable, at the option of the City and without notice or demand, upon the occurrence of any one or more of the following Triggering Events:

- (a) Any Transfer of the Property without the City's prior written consent.
- (b) The Borrower ceases to utilize the Property for the provision of housing to a limited clientele concluded to be primarily low- and moderate-income persons, which meets the Program's National Objective of benefitting low and moderate income persons.
- (c) The Borrower fails to maintain the Property in its post-rehabilitation condition, normal wear and tear excepted.
- (d) The Borrower is in default of this Loan Agreement.
- (e) The Borrower fails to maintain property insurance coverage naming the City as a loss payee (if the City Loan is in the first position) or an additional insured (if the City Loan is a junior lien).
- (f) The Borrower fails to pay the property taxes on the Property when due.
- (g) The Borrower defaults on any senior deed of trust.

3.3 Partial Repayment. After a Triggering Event occurs, the City may, in its sole discretion, allow Borrower to make monthly payments instead of the lump sum payment required by Section 3.2. The City reserves the right to determine the amount of such monthly payments. If the Borrower fails to make one or more monthly payments or another Triggering Event occurs, the City may require the Borrower to immediately repay the remaining principal due on the City Loan.

3.4 Prepayment. Borrower may prepay the outstanding principal of the City Loan at any time, provided that such prepayment shall not absolve Borrower of any other obligations contained in this Agreement or the Deed of Trust.

3.5 Repayment Amount. Upon the occurrence of a Triggering Event during the Term, the Borrower shall repay to the City the lesser of the following:

(a) The principal balance of the City Loan; or

(b) The current fair market value of the Property less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of, and improvements to, the Property.

4. CDBG PROGRAM REQUIREMENTS

4.1 Program Regulations and Guidelines. Borrower agrees that Borrower is subject to the terms and conditions of the Program, including any rules and regulations adopted by the federal Department of Housing and Urban Development, the California Department of Housing and Community Development, or the City regarding the use of CDBG Funds, all of which are incorporated herein by this reference as they may be amended from time to time. If there is any conflict between the aforementioned rules and regulations and the terms of this Agreement, the terms of the regulations shall control.

4.2 Project Activities. Borrower agrees:

(a) that the construction of the Project using City Loan funds shall adhere to the final plans, specifications and work write-up approved by the City, and

(b) that Borrower will contract with a licensed general contractor to perform the Project, and

(c) that the City shall approve the method and procedures utilized to procure the services of a licensed general contractor to perform the Project, and

(d) that the City shall approve the form and content of the contract between Borrower and its licensed general contractor prior to the execution of the contract.

4.3 Covenants. Borrower covenants and agrees, among other things:

(a) that Borrower shall utilize the Property for the purposes stated in Recital D of this Agreement and shall not lease or rent the Property to a third party, and

(b) that Borrower shall maintain the Property in accordance with the specifications of the Program, and

(c) that Borrower shall not discriminate on the basis of race, color, creed, age, handicap, sex or national origin, in any sale, use, or occupancy of the Property, and

(d) that City shall have the right to enter the Property, upon reasonable prior notice, for the sole purpose of determining compliance with the terms and conditions of the Program.

(e) that Borrower will maintain property insurance coverage on the Property naming the City as a loss payee (if the City Loan is in the first position) or as an additional insured (if the City Loan is a junior lien).

5. DEFAULTS & ENFORCEMENT

5.1 Defaults. If any one or more of the following events of default shall occur and shall not have been remedied:

(a) Any representation or warranty made by the Borrower in this Agreement or in any request or certificate of the Borrower furnished to City hereunder shall prove to have been incorrect in any material respect; and/or

(b) The Borrower shall default in the payment, when due, of any principal, interest, or other amount payable by Borrower with respect to the Property, whether due under this Agreement, the Note, or otherwise; and/or

(c) The Borrower shall default in the performance of any other obligation to be performed by it contained herein or in the Note; and/or

(d) The Borrower fails to notify the City of the occurrence of any Triggering Event.

Then, and in any such case, in addition to any other rights and remedies available to the City hereunder or at law or in equity or otherwise, City may declare the principal and any other amounts accrued on the Note to be forthwith due and payable, whereupon the same shall become forthwith due and payable, and/or City may immediately terminate its commitment hereunder.

5.2 Liquidated Damages. If Borrower rents or leases the Property to a third party in a manner which is materially in conflict with the purpose set forth in Recital D above, Borrower shall be subject to liquidated damages in an amount equal to the total rent collected by Borrower throughout the duration of the violation.

5.3 Specific Performance. It is agreed that the services provided for under this Agreement serves a public purpose and are of a special and unique kind and character and that the rights granted to City hereunder are of a similar special and unique kind and character so that if there is a default by the Borrower, City would not have an adequate remedy at law. It is expressly agreed, therefore, that City's rights under this Agreement may be enforced by an action for specific performance and such other equitable relief, including an injunction for actions in violation of this Agreement, as is provided by the laws of the State of California.

6. SUBORDINATION

The City may approve a request for subordination, in its sole discretion. If the request for subordination is due to the Borrower's refinancing of a loan secured by the Property, the City may only approve the subordination request if the Borrower submits the documentation required by the City, and the refinancing will not result in any of the following:

6.1 A "cash out" of all or part of the loan proceeds. The loan proceeds must be used only to pay off the existing debt being refinanced and any reasonable closing costs.

6.2 A loan to value ratio that exceeds 75% of the Property's post-rehabilitation value.

6.3 A loan that has a higher interest rate than the existing loan.

6.4 A loan with a term of less than fifteen years.

6.5 The recorded position of the City Loan will be lower than its existing position (e.g. reduced from a second lien deed of trust to a third lien deed of trust).

7. GENERAL PROVISIONS

7.1 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the heirs, successors, assigns and representatives of the parties.

7.2 Entire Agreement. This Agreement, together with its Recitals which are a part of this Agreement, sets forth the entire understanding of the parties with respect to the subject matter hereof. In the event of any conflict between the terms of this Agreement and any other document entered into in furtherance of this Agreement, the terms of this Agreement shall prevail.

7.3 Attorneys' Fees. In the event of any legal proceeding arising out of or related to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs as set by the trier of fact.

7.4 Notices. All notices, requests, demands, consents and other communications required or permitted to be given under the terms of this Agreement shall be in writing addressed to the recipient party's Notice Address set forth below, and shall be deemed to have been duly given or made (a) if delivered personally (including commercial courier or delivery service) to the party's Notice Address, then as of the date delivered (or if delivery is refused, upon presentation), or (b) if mailed by certified mail to the party's Notice Address, postage prepaid and return receipt requested, then at the time received at the party's Notice Address as evidenced by the return receipt, or (c) if mailed by first class mail to the party's Notice Address, postage prepaid, then at the time received at the party's Notice Address. A party may only change its Notice Address by a notice given in the foregoing form and manner. Each party's initial Notice Address is as follows:

If to Borrower: Parents and Friends, Inc.
P.O. Box 656
Fort Bragg, CA 95437
ATTN: Rick Moon, CEO

If to the City: City of Fort Bragg
416 N. Franklin St.
Fort Bragg, CA 95437
Attn: Public Works Department

7.5 Severability. It is agreed that if any provision of this Agreement shall be determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect.

7.6 Modification. This Agreement may not be changed, modified or amended orally or by a course of conduct, but only by a writing signed by the parties hereto, and this Agreement may not be discharged except by performance in accordance with the terms, or by writing signed by the parties hereto.

7.7 Time of Essence. Time is of the essence in all of the terms, covenants and conditions of this Agreement.

7.8 Choice of Law; Venue. This Agreement shall be construed in accordance with and governed by the laws of the State of California. Any action to enforce or interpret any of the provisions of this Agreement shall be brought in Mendocino County, California.

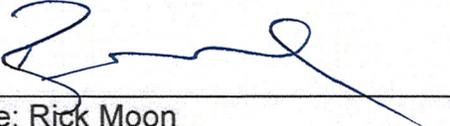
7.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.10 Joint and Several. If more than one person executes this Agreement as Borrower, the agreements, covenants, representations, warranties, obligations and liabilities of such persons under this Agreement shall be joint and several.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date(s) set forth below.

"BORROWER"

Parents & Friends Inc.

By: 
Name: Rick Moon
Title: CEO

"CITY"

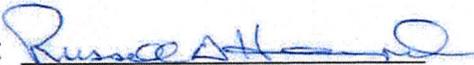
City of Fort Bragg

By: _____
Name: Tabatha Miller
Title: City Manager

ATTEST:

By: _____
Name: June Lemos
Title: City Clerk

APPROVED AS TO FORM:

By: 
Name: Russell A. Hildebrand
Title: City Attorney

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

ALL-PURPOSE ACKNOWLEDGMENT NOTARY FOR CALIFORNIA

STATE OF CALIFORNIA)
COUNTY OF MENDOCINO)

On _____, 2019,
before me, _____,
Date Name And Title Of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____,
Name of Signer(s)

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

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

WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

Though this section is optional, completing this information can deter alternation of the document or fraudulent reattachment of this form to an unintended document.

CAPACIT(IES) CLAIMED BY SIGNER(S)

DESCRIPTION OF ATTACHED DOCUMENT

Signer's Name: _____

- Individual
Corporate Officer

Title(s)

- Partner(s) Limited
General

- Attorney-In-Fact
Trustee(s)
Guardian/Conservator
Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

Title or Type of Document

Number Of Pages

Date Of Document

Signer(s) Other Than Named Above

EXHIBIT "A"

LEGAL DESCRIPTION

APN: 018-090-12-00

PORTION OF FORT BRAGG SUBURBAN LOT 76 IN SECTION 7, TOWNSHIP 18 NORTH, RANGE 17 WEST, MOUNT DIABLO BASE AND MERIDIAN, CONTAINING 0.918 ACRE, MORE OR LESS, DESCRIBED AS FOLLOWS:

BEGINNING AT A 5/8 INCH DIAMETER IRON PIN ON THE EAST LINE OF THE PARCEL OF LAND DESCRIBED IN THE SEES FROM UNION LUMBER COMPANY TO GEORGE R. MORRISON ET UX RECORDED NOVEMBER 12, 1952 IN VOLUME 331 OF OFFICIAL RECORDS, PAGE 226, MENDOCINO COUNTY RECORDS, AT THE SOUTH LINE OF CYPRESS STREET, AS DESIGNATED ON THE RECORD OF SURVEY MAP FILED FEBRUARY 27, 1967 IN MAP CASE 2, DRAWER 8, PAGE 23, MENDOCINO COUNTY RECORDS, SAID POINT OF BEGINNING BEING NORTH 647.70 FEET AND EAST 1383.21 FEET FROM THE 2 INCH DIAMETER BOLT WITH BRASS CAP AT THE SOUTHWEST CORNER OF SAID SECTION 7; THENCE FROM SAID POINT OF BEGINNING SOUTH 1° 19' 40" WEST ALONG THE WEST LINE OF SAID SUBURBAN LOT 76, BEING ALSO ALONG THE EAST LINE OF SAID MORRISON PARCEL 153.85 FEET TO A 5/8 INCH DIAMETER FROM PIN; THENCE SOUTH 88° 40' 20" EAST 260 FEET TO A 5/8 INCH DIAMETER IRON PIN; THENCE NORTH 1° 19' 40" EAST 153.85 FEET TO A 5/8 INCH DIAMETER IRON PIN ON THE SOUTH LINE OF CYPRESS STREET; THENCE NORTH 88° 40' 20" WEST ALONG SAID SOUTH LINE 260 FEET TO THE POINT OF BEGINNING.

ALL BEARINGS USED IN THIS DESCRIPTION ARE IN TERMS OF THE CALIFORNIA STATE GRID, ZONE 2.

EXHIBIT "B"

NOTE SECURED BY DEED OF TRUST

\$2,802,880

[DATE]

350 Cypress, Fort Bragg, CA 95437

For value received the undersigned, PARENTS AND FRIENDS (the "Borrower"), promises to pay the CITY OF FORT BRAGG at 416 N. Franklin St., Fort Bragg, California 95437, the sum of \$2,802,880. This Note is subject to and payable in accordance with the terms of that certain Loan Agreement between Borrower and the City of Fort Bragg, dated for reference purposes [DATE] (the "Loan Agreement").

This Note is secured by a Deed of Trust of the same date as this Note, executed by Borrower, as trustor, in favor of the City of Fort Bragg, as beneficiary, and recorded with the Mendocino County Recorder as document number [REDACTED]. The holder of this Note will be entitled to the benefits of the security provided by the Deed of Trust and will have the right to enforce the covenants and agreements of the Borrower contained in the Deed of Trust and/or the Loan Agreement.

All sums due and payable hereunder are payable solely in lawful money of the United States of America. This Note shall, at the option of the holder hereof, become fully due and payable, without notice or demand, upon any default by Borrower in the performance of any obligation arising out of or under the Loan Agreement. If any attorney is engaged by the holder of this Note to enforce or construe any provision of this Note, or the Deed of Trust, or the Loan Agreement, then Borrower will immediately pay to the holder, on demand, all attorneys' fees and other costs incurred by holder therein. All payments on this Note will be applied first to the payment of any costs, fees, or other charges incurred in connection with the enforcement of this Note; next, to the payment of costs, fees, or other charges, if any, arising under the Loan Agreement; then to the reduction of the principal balance.

Dated: _____, 2019

[NOTE: DO NOT SIGN THIS EXHIBIT]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

EXHIBIT "C"

City of Fort Bragg
416 N. Franklin St.
Fort Bragg, California 95437
Attn.: Public Works Dept.

**Exempt Recording Per Government
Code Sections 6103 and 27383**

**DEED OF TRUST
WITH ASSIGNMENT OF RENTS AS ADDITIONAL SECURITY**

This DEED OF TRUST, made as of [DATE], between PARENTS AND FRIENDS, INC., herein called TRUSTOR, whose address is 350 Cypress Street, Fort Bragg, California, 95437, and the CITY OF FORT BRAGG, herein called TRUSTEE, for the benefit of CITY OF FORT BRAGG as BENEFICIARY.

Trustor irrevocably grants, transfers and assigns to Trustee in Trust, with Power of Sale, that property in the City of Fort Bragg, County of Mendocino, California, described as:

APN: 018-090-12-00

PORTION OF FORT BRAGG SUBURBAN LOT 76 IN SECTION 7, TOWNSHIP 18 NORTH, RANGE 17 WEST, MOUNT DIABLO BASE AND MERIDIAN, CONTAINING 0.918 ACRE, MORE OR LESS, DESCRIBED AS FOLLOWS:

BEGINNING AT A 5/8 INCH DIAMETER IRON PIN ON THE EAST LINE OF THE PARCEL OF LAND DESCRIBED IN THE SEES FROM UNION LUMBER COMPANY TO GEORGE R. MORRISON ET UX RECORDED NOVEMBER 12, 1952 IN VOLUME 331 OF OFFICIAL RECORDS, PAGE 226, MENDOCINO COUNTY RECORDS, AT THE SOUTH LINE OF CYPRESS STREET, AS DESIGNATED ON THE RECORD OF SURVEY MAP FILED FEBRUARY 27, 1967 IN MAP CASE 2, DRAWER 8, PAGE 23, MENDOCINO COUNTY RECORDS, SAID POINT OF BEGINNING BEING NORTH 647.70 FEET AND EAST 1383.21 FEET FROM THE 2 INCH DIAMETER BOLT WITH BRASS CAP AT THE SOUTHWEST CORNER OF SAID SECTION 7; THENCE FROM SAID POINT OF BEGINNING SOUTH 1° 19' 40" WEST ALONG THE WEST LINE OF SAID SUBURBAN LOT 76, BEING ALSO ALONG THE EAST LINE OF SAID MORRISON PARCEL 153.85 FEET TO A 5/8 INCH DIAMETER FROM PIN; THENCE SOUTH 88° 40' 20" EAST 260 FEET TO A 5/8 INCH DIAMETER IRON PIN; THENCE NORTH 1° 19' 40" EAST 153.85 FEET TO A 5/8 INCH DIAMETER IRON PIN ON THE SOUTH LINE OF CYPRESS STREET; THENCE NORTH 88° 40' 20" WEST ALONG SAID SOUTH LINE 260 FEET TO THE POINT OF BEGINNING.

ALL BEARINGS USED IN THIS DESCRIPTION ARE IN TERMS OF THE CALIFORNIA STATE GRID, ZONE 2.

For the Purpose of Securing (1) payment of the sum of Two Million, Eight Hundred Two Thousand, Eight Hundred Eighty Dollars (\$2,802,880) according to the terms of that promissory note executed

on _____, 2019 by Trustor, payable to order of Beneficiary, and that loan agreement executed on _____, 2019 by Trustor and Beneficiary, which are incorporated herein by this reference as they may be amended, extended or renewed from time to time; (2) the performance of each agreement of Trustor incorporated by reference or contained herein or reciting it is so secured, including the performance of covenants and agreements made, and obligations assumed, by Trustor under the Loan Agreement and Note Secured by Deed of Trust executed by Trustor on even date herewith in connection with the purchase of the property described above, which agreements are incorporated herein by reference; and (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A of that certain Fictitious Deed of Trust referenced herein, and it is mutually agreed that all of the provisions set forth in subdivision B of that certain Fictitious Deed of Trust recorded in the book and page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumes	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	71-10-26	615	Sonoma	2067	427
Calveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18				San Diego Series 5 Book 1964, Page 149774		

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties) are preprinted on the following pages hereof and are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge thereof does not exceed the maximum allowed by laws.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

[NOTE: DO NOT SIGN THIS EXHIBIT]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

ALL-PURPOSE ACKNOWLEDGMENT NOTARY FOR CALIFORNIA

STATE OF CALIFORNIA)
COUNTY OF MENDOCINO)

On _____, 2019,
before me, _____,
Date Name And Title Of Officer (e.g. "Jane Doe, Notary Public")

personally appeared _____,
Name of Signer(s)

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

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

WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

Though this section is optional, completing this information can deter alternation of the document or fraudulent reattachment of this form to an unintended document.

CAPACIT(IES) CLAIMED BY SIGNER(S)

DESCRIPTION OF ATTACHED DOCUMENT

Signer's Name: _____

- Individual
Corporate Officer

Title(s)

- Partner(s) Limited
Trustee(s) General
Guardian/Conservator
Other: _____

Signer is representing:
Name Of Person(s) Or Entity(ies)

Title or Type of Document

Number Of Pages

Date Of Document

Signer(s) Other Than Named Above

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each County in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer, or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may, make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured

hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him or her in the same manner and with the same effect as above provided for regarding disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his or her right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his or her own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice

Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term Beneficiary shall mean the owner and holder, including pledgees of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or the neuter, and the singular number includes the plural.

(9) The Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

TO _____

The undersigned is the legal owner and holder of the note or notes and of all other indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied, and all other obligations secured by said Deed of Trust have been fully satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidence of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated: _____

Please mail Deed of Trust,
Note and Reconveyance to _____

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "D"

TRUTH-IN-LENDING DISCLOSURE

NOTICE TO BORROWER: This is a disclosure statement required by the Consumer Credit Protection Act related to your Loan. This statement is not a contract or a commitment. Please refer to the Promissory Note for the terms and provision of this transaction.

A. BORROWER(S): Parents and Friends, Inc.
P.O. Box 656
Fort Bragg, CA 95437

B. DISCLOSURE STATEMENT:

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	AMOUNT FINANCED	TOTAL OF PAYMENTS*
The cost of my Credit as yearly rate	The dollar amount the credit will cost me	The amount of credit provided to me or on my behalf	The amount I will have paid after I make all payments as scheduled
0%			
0% Effective	\$0	\$2,802,880	\$2,802,880 (if loan is not forgiven)

C. PAYMENT SCHEDULE

Number of Payments	Amount of Payments	Payments Due Beginning
0	\$0	n/a
Collection Service Charge	\$0	
Principal and Interest	\$2,802,880	
TOTAL PAYMENT	\$2,802,880 (if loan is not forgiven)	

D. SECURITY: The loan is secured by:

A Deed of Trust against the Real Property located at 350 Cypress Street, Fort Bragg, CA 95437.

In the event of default, the filing and recording of a certificate of default with the County Recorder shall constitute a lien upon this property.

E. STATEMENT OF INSURANCE: Property, liability and/or flood insurance may be obtained by Borrower(s) through any person of his/her choice and is NOT obtainable through the City.

F. DEFAULT, DELINQUENCY AND SIMILAR CHARGES: Should the indebtedness not be paid when due, Borrower(s) shall be responsible for attorney's fees and all costs of collection.

G. PREPAYMENT: The Borrower may prepay at any time all or any part of the principal amount of this Note without the payment of penalties or premiums. However, any restrictions on the use of the Property associated with this loan shall remain in effect for the entire Term, regardless of any prepayment.

H. ASSUMPTION: Someone buying your Property will not be able to assume the remaining indebtedness.

I/We hereby acknowledge receipt of a completed copy of this statement and I/we have not signed any note, contract or any other agreement in connection with this credit transaction.

Date

Borrower

EXHIBIT "E"

NOTICE OF RIGHT TO CANCEL

IDENTIFICATION OF LOAN TRANSACTION

BORROWER	AMOUNT	SECURITY
Parents and Friends, Inc.	\$2,802,880	INCLUDES REAL PROPERTY LOCATED AT: 350 Cypress Street, Fort Bragg, CA 95437

NOTICE TO CUSTOMER REQUIRED BY FEDERAL LAW:

Your Right To Cancel:

You have entered into a transaction on _____ (Date) which will result in a lien, mortgage, or other security interest in your property. You have a legal right under federal law to cancel this transaction, without cost, within three (3) business days from whichever of the following events occurs last:

- (1) the date of the transaction set forth above; or
- (2) the date you received your Truth-in-Lending Disclosures; or
- (3) the date you received this notice of your right to cancel.

If you cancel the transaction, the mortgage lien or security interest is also cancelled. Within twenty (20) calendar days after we receive your notice, we must take the steps necessary to reflect the fact that the mortgage, lien or security interest on your home has been cancelled, and we must return to you any money or property you have given to us or to anyone else in connection with this transaction.

You may keep any money or property we have given you until we have done the things mentioned above, but you must then offer to return the money or property. If it is impractical or unfair for you to return the property, you must offer its reasonable value. You may offer to return the property at your home or at the location of the property. Money must be returned to the address below. If we do not take possession of the money or property within twenty (20) calendar days of your offer, you may keep it without further obligation.

How to Cancel:

If you decide to cancel this transaction, you may do so by notifying us in writing, at

City of Fort Bragg
Attn: Public Works Department
416 N. Franklin St., Fort Bragg, CA 95437

You may also use any written statement that is signed and dated by you and states your intention to cancel, or you may use this notice by dating and signing below. Keep one copy of this notice because it contains important information about your rights.

If you cancel by mail or telegram, you must send the notice no later than midnight of _____ (or midnight of the third business day following the latest of the three events listed above). If you send or deliver your written notice to cancel some other way, it must be delivered to the above address no later than that time.

I hereby cancel this transaction.

(Date)

(Customer's Signature)

**ACKNOWLEDGMENT OF RECEIPT OF TWO COPIES OF
NOTICE OF RIGHT OF RESCISSION**

Each of the undersigned hereby acknowledges receipt of two completed copies of the Notice above.

(Customer's Signature)

(Date)

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

EXHIBIT "F"

City of Fort Bragg
416 N. Franklin St.
Fort Bragg, California 95437
Attn.: Public Works Dept.

Exempt Recording Per Government
Code Sections 6103 and 27383

RESTRICTIVE COVENANT

**THIS DOCUMENT CONTAINS PROVISIONS RESTRICTING USE OF THE PROPERTY,
REFINANCING, TRANSFERING OF THE PROPERTY AND ASSUMPTIONS.**

This Restrictive Covenant is made and entered into by and between PARENTS AND FRIENDS, INC. (PFI), a California non-profit organization (hereinafter referred to as "Parents & Friends" or "Borrower"), and the CITY OF FORT BRAGG, a California municipal corporation, (hereinafter referred to as the "City" or "Lender") this ___ day of _____, 2019, with reference to the following facts:

RECITALS

A. The City and Borrower entered into a Loan Agreement on _____, 2019, whereby the City loaned \$2,802,880.00 to Borrower for the rehabilitation of the real property located at 350 Cypress Street in the City of Fort Bragg (the "Property").

B. The loan was made by City as an Activity under the City's 2017 Program Grant #17-CDBG-12020. The CDBG Program requires the Property to be used by Borrower for the purpose of providing housing to a limited clientele of primarily low and moderate income persons, which meets the Program's National Objective of benefitting low and moderate income persons for a period of at least twenty years after the Project Completion Date.

C. The Grant Agreement for CDBG Program Grant #17-CDBG-12020 requires a separate restrictive covenant be recorded against the Property prohibiting a change in use for the Property during the term.

NOW, THEREFORE, Borrower, for itself, its successors, and all other parties having an interest in the Property, by or through Borrower, covenants and agrees as follows:

I. TERM

The term of this Restrictive Covenant shall be for twenty years, commencing on the date first ascribed above.

II. RESTRICTIVE COVENANTS

Borrower covenants and agrees that the use of the Property will be restricted as follows:

In accordance with State and Federal regulations governing the Community Development Block Grant Program, the Property is required to be used to provide housing to low and moderate income persons for the Term of this Restrictive Covenant. Any proposed change in ownership, use and/or occupancy prior to the expiration of the Term must be submitted in writing to the City of Fort Bragg and must be authorized by the Department of Housing and Community Development, Community Affairs Division. The Borrower must receive written authorization from the City and HCD prior to change in use, ownership or occupancy.

III. COVENANTS RUN WITH THE LAND

This Restrictive Covenant shall inure to the benefit of and be binding upon Borrower and City and their respective heirs, executors, legal representatives, permitted successors and assigns. The Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, used, and occupied subject to the covenants, conditions, restrictions and limitations of this Covenant. All of the herein stated covenants, conditions, restrictions and limitations are intended to constitute both equitable servitudes and covenants running with the land. Any purchaser of or successor in interest, transferee or assignee to the Property or of any portion of or interest in the Property no matter how that interest is acquired, shall be deemed to have taken title with knowledge of this Covenant and to have personally covenanted, consented to and accepted the covenants, conditions, restrictions and limitations set forth herein.

PARENTS AND FRIENDS, INC.

By: _____