

CPP/CRDP HOUSING AGREEMENT

BETWEEN

NORTH LOS ANGELES COUNTY REGIONAL CENTER

9200 Oakdale Avenue, Suite 100
Chatsworth, CA 91311-6500
(818) 778-1900

AND

**VENDOR NAME
STREET ADDRESS
CITY, STATE ZIP**

PROJECT #: NLACRC-xxxx-xx

SERVICE CODE: 999

VENDOR #: PLxxxx

TAX ID#: 12-3456789

TERM OF AGREEMENT: June 1, 2025 – December 31, 2055

Acquisition and Renovation of one (1) Specialized Residential Facility

CPP/CRDP HOUSING AGREEMENT
(FY2024-FY2025)

(NLACRC-2425-xx)

This CPP/CRDP Housing Agreement (this “**Agreement**”), dated for reference purposes as of [date] (the “**Effective Date**”), is entered into by and between [vendor name], entity type (the “Housing Development Organization” or “**HDO**”) and North Los Angeles County Regional Center, Inc., a California nonprofit corporation (“**NLACRC**”), in accordance with the following facts:

A. The Consumers. NLACRC provides services to individuals with developmental disabilities in who live in the San Fernando, Santa Clarita, and Antelope Valleys of Los Angeles County, California (the “**Consumers**”).

B. HDO’s Mission. HDO represents and warrants that it has the experience and expertise to develop and manage affordable homes for individuals with developmental disabilities, and that its primary mission is to assist such individuals with their housing needs.

C. The Property; the Residence. HDO intends to purchase and renovate one property with at least four (4) bedrooms (the “**Property**”) so that four (4) Consumers can occupy a home (the “**Residence**”) on the Property in single occupancy bedrooms. HDO shall develop an Specialized Residential Facility (“**SRF**”) at the Property.

D. CPP/CRDP Guidelines; Funding Approval; CPP/CRDP Funds. The California Department of Developmental Services (“**DDS**”) has published Guidelines for Purchasing and Developing Permanent Housing Through the Regional Center Community Placement Plan (“**CPP**”) and Community Resource Development Plan (“**CRDP**”) for Fiscal Year 2017-18 Requests and Modifications (the “**CPP/CRDP Guidelines**”). HDO acknowledges that it has reviewed and understands the CPP/CRDP Guidelines, including all of the Appendices thereto. All references in the CPP/CRDP Guidelines to the “NPO” or “HDO” means HDO.

E. Housing Proposal; Funding Approval; CPP/CRDP Funds. In accordance with the CPP/CRDP Guidelines, NLACRC (with HDO’s assistance) shall submit a housing proposal to DDS requesting approval to expend funds for the acquisition and possibly additional funds for the renovation of the Property for the benefit of those Consumers described in the CPP/CRDP Guidelines. DDS’s Letter of Conditional Approval (as defined in the CPP/CRDP Guidelines), by which DDS conditionally agrees to fund the housing proposal, is hereinafter referred to as a “**Funding Approval**”, and the funds that DDS will provide to NLACRC pursuant to the Funding Approval are hereinafter referred to as “**CPP/CRDP Funds**”; *provided, however*, notwithstanding anything in this Agreement to the contrary, NLACRC shall have no financial or other obligation of any nature with respect to the Property until (i) HDO is in escrow to purchase the Property, (ii) NLACRC approves such purchase in writing and (iii) DDS gives its final acquisition approval to such purchase under Section X.B of the CPP/CRDP Guidelines.

F. The Lease. Once HDO acquires the Property with CPP/CRDP Funds, HDO intends to lease the Property to a service provider who is vendorized with NLACRC (a "**Service Provider**") under a written lease (the "**Lease**"). The Service Provider will provide services to NLACRC's Consumers who will occupy the Residence that HDO leases to the Service Provider.

G. Purpose of Agreement. The purpose of this Agreement is to describe NLACRC's and HDO's rights and obligations to each other with respect to the acquisition, development, lease and maintenance of the Residence and the Property, conditioned on NLACRC's receipt of Funding Approval and final property acquisition approval from DDS.

NOW THEREFORE, in consideration of the following mutual covenants, NLACRC and HDO agree as follows:

1. The CPP/CRDP Funds; Aggregate and Individual Amounts. The maximum amount of FY CCYY-CCYY CPP/CRDP Funds available for HDO's acquisition of the Property is shown on Exhibit "A" attached hereto. HDO must spend all of the CPP/CRDP Funds by **MONTH DD, CCYY**; any unspent funds will revert to the State. The CPP/CRDP Funds are broken down as follows:

1.1 Property Acquisition: NLACRC shall reimburse to HDO up to the maximum amount as shown on Exhibit "A" to cover a portion of HDO's cost to acquire the Property. NLACRC shall disburse such acquisition funds in accordance with Section 6.1 below and the other terms of this Agreement, on the date escrow closes and HDO acquires fee ownership in the Property.

1.2 Property Renovation: NLACRC shall reimburse to HDO only up to the maximum amount shown on Exhibit "A" (the "**Maximum Renovation Amount**") to cover a portion of HDO's cost to renovate and make improvements to the Residence thereon so that NLACRC's Consumers may occupy the Property and NLACRC shall disburse such renovation funds in accordance with the milestones.

1.3 HDO's Budget; Payment Approvals. HDO has prepared and submitted to NLACRC an itemized budget proposal detailing the proposed use of funds for the Property. HDO shall update the budget monthly, and more often as requested by NLACRC or as required by the CPP/CRDP Guidelines. Within 15 days after the applicable municipality approves the final plans and specifications for the renovation work for the Property, HDO shall deliver a final budget to NLACRC (the "**Final Budget**") for its approval. However, once NLACRC approves the Final Budget, no line item within the Budget shall increase or decrease by more than 10% cumulatively without NLACRC's written consent. Funds are intended to offset only a portion of HDO's total costs to purchase and renovate the Property. Approval of payment(s) by NLACRC and provisions for payment are subject to the terms and conditions which are set forth in the State Administrative Manual (SAM) requirements for subvention aid contracts, and are limited to those expenses which are designated as acceptable items.

2. Applicability of CPP/CRDP Guidelines. HDO shall at all times comply with the requirements in the CPP/CRDP Guidelines. If DDS imposes new obligations in revised or amended CPP/CRDP guidelines that did not appear in the current CPP/CRDP Guidelines, or that contradict earlier CPP/CRDP guidelines, or if any inconsistency exists between the terms of this Agreement and the CPP/CRDP Guidelines, the terms of the CPP/CRDP Guidelines shall prevail with respect to the Property.

3. Term. Subject to the provisions in Section 1 above, the term of this Agreement shall commence on the Effective Date and end on the earlier of (1) the date HDO is no longer the owner of the Property or (2) December 31, 2055, subject to any earlier termination as provided in this Agreement. However, the termination or expiration of this Agreement shall not affect the continued enforceability of the documents intended to survive its termination (as provided in Section 12 below).

4. Property Acceptance Agreement; Implementation Plan; Commitment Letter. Once DDS issues Funding Approval to NLACRC, HDO will work collaboratively with NLACRC in locating housing opportunities for Consumers, based on those needs articulated by NLACRC, and in accordance with the following provisions:

4.1 Implementation Plan. Prior to acquiring the Property, HDO shall prepare and submit to NLACRC, for its review and approval, an implementation plan for the Property (the “**Implementation Plan**”). The Implementation Plan will contain all information required by the CPP/CRDP Guidelines. Thus, for example, the Implementation Plan shall (1) specify a process that ensures compliance with all state and local building requirements, including without limitation NLACRC’s receipt of verification that any project has received all applicable required permits prior to the start of any demolition, construction, or renovation and (2) contain a detailed financing plan, along with a construction and operations budget containing the information required by the CPP/CRDP Guidelines. HDO shall update and revise the Implementation Plan at NLACRC’s request. NLACRC may condition its execution of the Property Acceptance Agreement (defined in Section 4.2 below) on NLACRC’s approval of the Implementation Plan.

4.2 Property Acceptance Agreement. Prior to HDO’s purchase of the Property, HDO and NLACRC will attempt to reach agreement on the Agreed Rent (defined in Section 16.5.1 below) for the Property, if feasible. If (1) the parties reach agreement on the Agreed Rent and (2) NLACRC approves the location, condition and other aspects of the Property (including the terms of the Lease, as provided in Paragraph 5 below), then the parties will sign the Property Acceptance Agreement attached as Exhibit “B” attached hereto (the “**Property Acceptance Agreement**”), confirming that the Property is subject to the terms and conditions of this Agreement. Only a property identified in a fully executed Property Acceptance Agreement that references this Agreement is subject to the terms and conditions of this Agreement.

4.3 Commitment Letter. After the parties sign the Property Acceptance Agreement, and upon HDO’s request, NLACRC will provide a letter to HDO in the form attached as Exhibit “C” hereto.

4.4 Appraisal. HDO shall not purchase the Property in excess of its appraised value, based on an appraisal which date is not earlier than 120 days before the date HDO closes escrow on its purchase of the Property. HDO may use an appraisal provided to the senior Lender in establishing the Property's appraised value. HDO shall provide the appraisal to NLACRC as soon as practicable, for its approval. The parties acknowledge that DDS will not approve the purchase of the Property for a price higher than its appraised value; *provided, however*, if the purchase price of the Property is more than its appraised value and NLACRC and HDO intend to continue with the purchase, DDS must first approve the purchase and HDO must use other sources of funding (i.e., not CPP/CRDP Funds) for the amount in excess of the appraised value.

4.5 Financial Analysis of HDO; Corrective Action Plan. NLACRC may at any time perform a financial analysis of HDO's and its subsidiaries' financial statements, and HDO shall fully cooperate in such process. Such analysis may include, but not be limited to, a calculation of HDO's debt coverage ratios (including debt to earnings ratio, debt to equity ratio, and EBITDA ratios), cash reserves, working capital and operating margin. If NLACRC is reasonably concerned about HDO's financial condition after completing such analysis, based on either current year status or multi-year trends, HDO will cooperate with NLACRC in implementing a corrective action plan to improve HDO's financial condition to NLACRC's reasonable satisfaction. If HDO is either unwilling or unable to timely implement such plan to NLACRC's reasonable satisfaction, NLACRC may terminate this Agreement with respect to any Property that HDO has not yet acquired.

5. Lease to Service Provider. After the parties sign the Property Acceptance Agreement for the Property, (1) NLACRC shall use its good faith efforts to identify a Service Provider to lease the Property from HDO, as well as Consumers who can occupy the Property and (2) HDO and NLACRC will use their good faith efforts to have HDO lease the Property to the Service Provider. The parties will use their good faith efforts to have the Service Provider sign the Lease prior to HDO's purchase of the Property. Notwithstanding the date the Lease commences, (i) the Service Provider's obligation to pay rent shall not commence until after HDO completes its renovations to NLACRC's satisfaction and delivers the Property to the Service Provider, ready for occupancy by Consumers, as of the date noted in a fully executed Certificate of Acceptance (the form of which is attached as an exhibit to the Lease) and (ii) rent shall be prorated for up to six months thereafter, as Consumers occupy the Property, as provided in the Certificate of Acceptance.

5.1 NLACRC's Payment of Holding/Transition Costs to HDO. To the extent permitted by the Funding Approval, NLACRC will disburse CPP/CRDP Funds equal to all transition costs allowable within the CPP/CRDP Guidelines for up to six months after HDO acquires the Property (or for a longer period, if approved by both NLACRC and DDS in their sole and absolute discretion) and before HDO begins receiving rent under the Lease for the Property, as part of the renovation costs and subject to the maximum disbursement allowed under Section 1.2 above.

6. HDO's Acquisition of Housing; Disbursement of CPP/CRDP Funds; Notice to NLACRC. HDO will notify NLACRC in writing (1) when HDO opens an escrow to purchase the Property, (2) promptly after HDO closes the escrow, (3) whether the Property requires renovations to house NLACRC's Consumers, (4) if renovations are required, the expected date that such renovations will be completed, (5) on the date a Notice of Completion is recorded for renovation work, (6) on the date HDO obtains a certificate of occupancy or final building sign off by the applicable governmental agency having jurisdiction over the renovations and (7) on the date the construction financing, if any, converts to permanent financing. HDO shall also provide to NLACRC an annual operating budget and monthly statements of the loan balance and the Replacement Reserve (defined in Section 16.9.1 below) for the Property, if so requested by NLACRC to fulfill its reporting obligations to DDS. HDO acknowledges that NLACRC requires this information in order to comply with its monthly and annual reporting duties to DDS under the CPP/CRDP Guidelines. Notwithstanding anything herein to the contrary, HDO shall not close escrow on the Property until DDS has given its final approval for HDO to be the HDO for this project and has also approved HDO's acquisition of the Property under Section X.B of the CPP/CRDP Guidelines.

6.1 Disbursement of CPP/CRDP Funds at Acquisition. The CPP/CRDP Funds NLACRC has earmarked for HDO's acquisition of the Property shall be disbursed by NLACRC directly to the escrow agent handling the sale of the Property, along with escrow instructions for the escrow agent's proper use of such funds. NLACRC shall disburse its funds by wire transfer. NLACRC's escrow instructions shall provide that escrow agent shall not disburse any CPP/CRDP Funds to HDO or for its benefit until the escrow agent (i) records the Restrictive Covenant and DDS Deed of Trust described in Sections 8 and 10 below and (ii) records the Profit Participation Agreement or delivers the DDS Note described in Section 9 below.

6.2 HDO's Delivery of Vesting Deed. Upon close of escrow, HDO shall deliver a conformed copy of the vesting deed to NLACRC and DDS to confirm HDO's fee ownership of the Property.

6.3 Occupancy by Consumers. HDO shall only select a property to purchase that will meet the needs of the Consumers expected to reside there, as specified in their Individual Program Plans and as approved by DDS under the Funding Approval. Promptly after this Agreement is executed and before HDO begins searching properties, the parties shall meet and review (i) NLACRC's site selection criteria, (ii) NLACRC's site selection preferences (NLACRC prefers the Property to be located in the San Fernando Valley or the Santa Clarita Valley) and (iii) the specific needs for Consumers who are expected to reside at the Property. All Consumers ultimately occupying the Residence must be identified within NLACRC's Community Placement Plan. No Consumers shall occupy the Residence until after HDO makes all appropriate renovations so that the Residence is available for use by NLACRC's Consumers, and NLACRC reasonably approves such renovations in writing.

7. Lender; Agreement to Provide Notice and Cure Rights.

7.1 Definitions. A "**Lender**" means an institutional lender that makes a Loan to HDO, the proceeds of which are applied to pay the costs of acquisition of the Property, and any construction, renovation, rehabilitation or remodeling of the Residence on the Property, and any lender's successors or assigns, and any lender that makes a Loan to refinance any such Loan. A "**Loan**" means a loan from a Lender to HDO secured by the lien of a deed of trust encumbering the Property (the "**Deed of Trust**").

7.2 Financing Responsibility. It is HDO's sole responsibility to apply for and obtain, and HDO assumes all risks associated with, all Lender financing for the Property (including acquisition and construction financing [if any], and permanent financing). Notwithstanding the foregoing, NLACRC reserves the right to approve the Lender and the terms of the loan; such approval shall not be unreasonably withheld or delayed. HDO is solely responsible for administering all construction loan funds from a Lender including, but is not limited to, preparing and submitting applications for funding, executing funding agreements, preparing requests to draw down funds, and preparing all required reports.

7.3 Notice and Cure Agreement. Prior to HDO's acquisition of the Property, HDO shall cause the Lender to sign, and deliver to NLACRC, an Agreement to Provide Notice and Cure Rights (the "**Notice and Cure Agreement**"). The form of the Notice and Cure Agreement shall be the same as the form attached as an exhibit to the CPP/CRDP Guidelines. The purpose of such document is to ensure that the Lender will give NLACRC and DDS adequate notice and the opportunity to cure any default by HDO under the Loan. The parties agree to modify the form of the Notice and Cure Agreement if so requested by DDS. NLACRC shall not disburse any CPP/CRDP Funds to HDO or for its benefit until NLACRC is in receipt of the executed Notice and Cure Agreement from the Lender. NLACRC shall submit a signed copy of the Notice and Cure Agreement to DDS within 15 days after the date HDO acquires ownership of the Property.

7.4 No Use of CPP/CRDP Funds and Lender Funds for Same Purpose. HDO shall not use the Lender's funds and CPP/CRDP Funds for the same costs or expenses.

8. Restrictive Covenant. At the time HDO becomes the fee owner of the Property, HDO and NLACRC will sign and notarize a Restrictive Covenant (the "**Restrictive Covenant**") and cause it to be recorded against the Property. The form of the Restrictive Covenant shall be the same as the form attached as an exhibit to the CPP/CRDP Guidelines. The purpose of the Restrictive Covenant is to ensure the Property shall be used and occupied only by Consumers in accordance with the provisions and limitations in the CPP/CRDP Guidelines. The parties agree to execute amendments and modifications to the Restrictive Covenant as reasonably requested by DDS. At all times during HDO's ownership of the Property, HDO shall comply with all of the provisions in the Restrictive Covenant applicable to the Property.

9. DDS Note; Profit Participation Agreement. At the time HDO becomes the fee owner of the Property, HDO shall either (i) execute a Promissory Note in favor of DDS (the "**DDS Note**") or (ii) execute and notarize a Profit Participation Agreement in favor of DDS (the

“PPA”) and cause the PPA to be recorded against the Property. The form of the DDS Note or PPA shall be the same as the forms attached as exhibits to the CPP/CRDP Guidelines. The purpose of such documents are to further secure HDO’s obligations to DDS. HDO agrees to execute amendments and modifications to the DDS Note or PPA, as applicable, as reasonably requested by DDS. At all times during HDO’s ownership of the Property, HDO shall comply with all of the provisions in the DDS Note or the PPA applicable to the Property.

10. DDS Deed of Trust. At the time HDO becomes the fee owner of the Property, HDO shall execute and notarize a Deed of Trust in favor of DDS (the “**DDS Deed of Trust**”) and cause it to be recorded against the Property. The form of the DDS Deed of Trust shall be the same as the form attached as an exhibit to the CPP/CRDP Guidelines. The purpose of such document is to secure HDO’s obligations to DDS, including HDO’s obligations under the Restrictive Covenant. HDO agrees to execute amendments and modifications to the DDS Deed of Trust as reasonably requested by DDS. At all times during HDO’s ownership of the Property, HDO shall comply with all of the provisions in the DDS Deed of Trust applicable to the Property.

11. Title Insurance. HDO shall obtain an owner’s policy of title insurance at the time it purchases the Property. HDO shall also obtain a lender’s policy in favor of DDS with respect to the Restrictive Covenant, the DDS Deed of Trust and the PPA, in an amount equal to the principal noted in the DDS Note or PPA. The cost of the lender’s policy shall be paid from CPP/CRDP Funds.

12. Consequence of Breach; Termination of Agreement; Instruments Remain in Effect. HDO’s breach of any Restrictive Covenant, DDS Note, DDS Deed of Trust or the PPA shall also constitute HDO’s breach of this Agreement. The Restrictive Covenant, DDS Note, DDS Deed of Trust and the PPA shall survive the termination of this Agreement, and shall only be terminated in accordance with their terms.

13. Future Loan Refinancing; Subordination of Restrictive Covenant, DDS Deed of Trust and PPA. Upon the request of a Lender whose Loan is being repaid with a portion of the Agreed Rent, and subject to DDS’s consent, then upon the request of the new Lender, HDO and NLACRC may execute an agreement (the “**Subordination Agreement**”) to subordinate the Restrictive Covenant, the DDS Deed of Trust and the PPA of the Property to the lien of the Lender’s Loan, as long as such Subordination Agreement or a separate agreement signed by the Lender (such as the Notice and Cure Agreement) provides that the Lender will give both NLACRC and DDS adequate notice and cure rights if HDO defaults under its Loan. NLACRC will request DDS to sign the Subordination Agreement, but NLACRC shall not have any liability if DDS fails to sign the Subordination Agreement.

14. HDO’s Delivery of Lender’s Deed of Trust to NLACRC; Recordation of Request for Notice. Promptly after Lender records its Deed of Trust to secure its Loan for the Property, HDO shall deliver a conformed copy of such Deed of Trust to NLACRC. NLACRC shall also ensure Requests for Notice under Civil Code section 2924b are recorded in its favor and in favor

of DDS. NLACRC may instruct the escrow agent to record such notices at the closing. Forms of the Requests for Notice are attached as exhibits to the CPP/CRDP Guidelines.

15. Developer Fee. HDO's fee to provide the services in this Agreement (the "**Developer Fee**") shall be 2.5% of the purchase price for the Property. The methodology for establishing the Developer Fee from all sources, and the basis for calculating such fee, is based on DDS's approval of such fee through the Housing Acquisition Request (HAR) process under the CPP/CRDP Guidelines. The Developer Fee is built into the Source and Uses budget and paid through the acquisition and renovation funds.

16. The Lease. The parties agree as follows with respect to leasing the Property:

16.1 Selection of the Tenant. HDO acknowledges that, despite its position as landlord under the Lease, HDO has no right to select the master tenant. Rather, NLACRC shall have the sole right to select the initial tenant and all replacement tenants for the Property; provided, however, the master tenant must be a Service Provider vendored by NLACRC. Similarly, NLACRC shall have the sole right to cause one master tenant to assign its interest under the Lease to a new master tenant.

16.2 The Lease Form; the Lease Addendum. HDO may use any form of lease it chooses, provided that NLACRC approves such form in writing in advance. NLACRC hereby preapproves the form of Lease attached hereto as Exhibit "D". Whether HDO uses its own form or the template attached hereto as Exhibit "D", the Lease shall include a Lease Addendum that is identical to the Lease Addendum template attached hereto as part of Exhibit "D". All references in this Agreement to the "Lease" includes the Lease Addendum. NLACRC may require changes to the form of Lease if so requested or required by DDS.

16.3 Specific Lease Restrictions. HDO shall not do any of the following without first obtaining NLACRC's express written consent, which shall not be unreasonably withheld: (1) lease, sublease or license rights in the Property to any party other than the Service Provider under the Lease; (2) materially modify or amend the Lease (including but not limited to the amount of the rent) or terminate the Lease; or (3) unreasonably hinder a Service Provider in providing services to the Consumers residing in the Property.

16.4 Notification of Service Provider Delinquencies. As soon as HDO becomes aware of any delinquent rent payments under the Lease, or any other monetary or non-monetary default by a Service Provider under the Lease, HDO shall promptly notify NLACRC of such fact in writing.

16.5 NLACRC's Reimbursement to Service Provider. Subject to (1) HDO's compliance with the terms of this Agreement and (2) the Service Provider's compliance with the terms of its service provider agreement with NLACRC for the Property (the "**Service Provider Agreement**"), NLACRC will pay the Service Provider the amounts to which the Service Provider is entitled to receive under its Service Provider Agreement, including amounts sufficient to satisfy the Debt Service (defined below).

16.5.1 Amount of Debt Service; Determination of Agreed Rent. The term “**Debt Service**” means HDO’s total monthly repayment obligation for the Loan encumbering the Property. With respect to the Property that HDO intends to purchase, the parties shall comply with the following procedure: (1) as soon as practicable before HDO purchases the Property, HDO shall inform NLACRC of the expected Debt Service for the Property as of the expected commencement date of the Lease for the Property, as well as other continuing costs of Property ownership (including but not limited to property insurance, property management fees, property taxes [if applicable], and the cost of maintenance and repairs); (2) NLACRC shall then have the right, in its sole and absolute discretion, to decide whether to approve the Debt Service and such other expected costs of Property ownership (including the Replacement Reserve [defined in Section 16.9.1 below]), or any lesser sum; the amount so approved by NLACRC is the “**Agreed Rent**”; (3) HDO shall have the right to approve NLACRC’s determination of the Agreed Rent; and (4) if HDO informs NLACRC in writing that HDO does not agree with the amount of the Agreed Rent within 10 days after NLACRC notifies HDO of the determination of the Agreed Rent, then the Property shall not be subject to this Agreement or entitled to any CPP/CRDP Funds.

16.5.2 Payment of Agreed Rent. After the parties’ execution of the Property Acceptance Agreement, the Agreed Rent for the Property (1) shall become the monthly rent for the Property and (2) shall be recognized by NLACRC as a valid expense of the Service Provider as part of NLACRC’s calculation of the sums which the Service Provider shall be entitled to receive from NLACRC under the Service Provider Agreement relating to the Property. Once the Residence is fully occupied, the Agreed Rent shall not be abated or adjusted based on a subsequent change in the occupancy level of the Residence at any time.

(a) No Obligation of NLACRC and DDS. Nothing in this Agreement shall be construed as obligating NLACRC or DDS to pay any of the Agreed Rent (or any other financial obligation owed by the Service Provider under the Lease) to HDO.

(b) Reduction of Agreed Rent Upon Reduction or Repayment of a Loan. Notwithstanding the provisions in Section 16.5.2, at such time(s) as the monthly installment payments for the Loan from the Lender to HDO is reduced, or at any such time a Loan is repaid in full, the Agreed Rent for the Property shall be automatically reduced by an amount equal to the Debt Service reduction (and, in such event, NLACRC’s payment to the Service Provider leasing the Property shall be automatically reduced by the same amount).

(c) Reduction of Agreed Rent Tied to Reduction in Real Property Taxes for Tax Exempt Service Provider. Notwithstanding the provisions in Section 16.5.2, if the Service Provider or any successor Service Provider is a nonprofit entity under Internal Revenue Code section 501(c)(3), then once HDO receives the tax exemption described in Paragraph 18.2 below, the Agreed Rent under the Lease shall be reduced by an amount equal to the difference between (i) the amount of real property taxes in effect on the date HDO acquired fee title to the Property and (ii) the amount of the reduction in real property taxes as a

result of obtaining the tax exemption (and, in such event, NLACRC's payment to the Service Provider leasing the Property shall be automatically reduced by the same amount). Further, if the tax exemption is retroactive, HDO shall promptly remit to NLACRC an amount equal to any tax refund payment HDO receives from the taxing authority. If the tax exemption is revoked, the Agreed Rent under the Lease shall be increased by a like amount (and, in such event, NLACRC's payment to the Service Provider leasing the Property shall be automatically increased by the same amount).

(d) Change of Agreed Rent Due to Changes in Operating, Maintenance and/or Repair Costs. Notwithstanding the provisions in Section 16.5.2, at HDO's request the parties shall meet (but not more often than every 12 months) to discuss whether to increase the Agreed Rent to the extent HDO's net operating, maintenance and/or repair costs have increased during such previous 12-month period (after taking into account any additional funds HDO has received from NLACRC, the Service Provider or any third party during such time period to compensate HDO for any changes in such costs). As a result of such meeting, the parties may mutually agree to increase the Agreed Rent to a new fixed monthly amount to reasonably account for such net cost increases (and, in such event, NLACRC's payment to the Service Provider leasing the Property shall be automatically increased by the same amount); *provided, however*, (i) NLACRC's may consent or withhold its consent to any increase in Agreed Rent at NLACRC's sole and absolute discretion and (ii) NLACRC may condition its agreement to increase the Agreed Rent on DDS's approval of such rent increase. If the rent increase causes NLACRC's overall monthly payment to the Service Provider to exceed the median rate for the home type, or the statewide median rate if no median rate exists for the home type, DDS's position is that it will not approve the rent increase.

16.5.3

Refinancing.

The parties acknowledge that DDS must first consent if HDO desires to refinance the Property, and that DDS will not approve variable rate loans or loans with balloon payments. If HDO refinances a Loan with DDS's consent, the Agreed Rent for the Property shall increase or decrease to reflect the changed amount of the Debt Service for the refinanced Loan as compared to the Debt Service for the original Loan (and, in such event, NLACRC's payment to the Service Provider leasing the Property shall be automatically increased or reduced, as applicable, by the same amount).

16.6 HDO's Lease Obligations. At minimum, HDO shall be responsible for the all of the following obligations under the Lease (at no additional cost to the Service Provider or NLACRC): (1) all expenses, costs and amounts of every kind and nature necessary or appropriate to manage the Property; (2) maintaining and repairing the Residence (including but not limited to the roof, foundation, floor slab, structural components, landscaping and its mechanical, electrical and plumbing components) in good condition, order and repair; (3) the cost of any insurance which HDO determines to carry; (4) fees, charges and other costs, including consulting fees, legal fees and accounting fees, of all contractors engaged by HDO or otherwise reasonably incurred by HDO in connection with the management, renovation, improvement, maintenance and repair of the Residence; (5) wages, salaries and other

compensation and benefits of all persons engaged in the management, maintenance or security of the Property, and employer's Social Security taxes, unemployment taxes or insurance, and any other taxes which may be levied on such wages, salaries, compensation and benefits; (6) real property taxes [if any] and assessments; and (7) to the extent applicable, the cost of annually filing the welfare tax abatement described in Paragraph 18.2 below so that it does not lapse. Notwithstanding the foregoing, the cost of any repairs or replacements to a Residence resulting from the negligence or intentional misconduct of a Service Provider or any Consumer shall be the responsibility of the Service Provider.

16.7 Compliance with NLACRC's Instructions. HDO agrees to promptly perform all acts and sign all documents relating to the Lease as NLACRC may from time to time instruct. Thus, for example, if NLACRC decides that the Lease should be amended in a manner that will not materially increase HDO's obligations or materially reduce its rights thereunder, or that a Lease amendment or sublease should be consented to, or that the existing Service Provider tenant should assign its rights to a new Service Provider tenant, then HDO shall promptly take the necessary action to accomplish the same in accordance with NLACRC's instructions.

16.8 Use by Service Provider. Once the initial Service Provider has leased the Property, NLACRC shall be solely responsible for replacing the Service Provider during the Lease term.

16.9 The Replacement Reserve; the Operating Reserve.

16.9.1 From each payment of Agreed Rent with respect to the Property, HDO shall deposit a specified sum per month (the "**Replacement Reserve**") into a segregated account in HDO's name (the "**Replacement Reserve Account**"). NLACRC shall determine the amount of the Replacement Reserve for the Property prior to the close of escrow for HDO's purchase of the Property, and after consulting with HDO. Once NLACRC determines the Replacement Reserve, and it is approved by DDS, the Replacement Reserve shall be set forth on the Property Acceptance Agreement attached hereto as Exhibit "B". The purpose of the Replacement Reserve is to create a fund for repairs and replacements to the capital improvements at the Residence, including but not limited to the following: plumbing, supply and drain lines; electrical panels and wiring; fire alarms and fire sprinklers systems, including related electrical panels; exterior siding; paint; windows (but not repair of broken windows except at the end of their useful life); doors; roof; foundation and floor slabs; structural components (including structural components of the exterior and interior and load bearing walls); concrete; fencing; interior paint; flooring; water heater; kitchen cabinets; countertops; bath cabinets; doors; HVAC; patio covers; and landscaping (but not landscape maintenance).

16.9.2 The funds in the Replacement Reserve Account shall be segregated from HDO's operating account and other accounts. However, HDO may hold reserves for other homes in the Replacement Reserve Account, as long as (i) HDO maintains its Replacement Reserve Account separate from its

operating account and other accounts, (ii) HDO's books and records at all times reflect the amount of the funds in the Replacement Reserve Account applicable to the Property, (iii) DDS does not object, (iv) such homes are also occupied by NLACRC's Consumers, and (v) such homes are located in NLACRC's catchment area.

16.9.3 HDO shall first exhaust all other sources of funding (e.g., insurance and product warranties) before using any of the Replacement Reserve. Further, HDO's release and application of funds from the Replacement Reserve Account shall be subject to monitoring by NLACRC. In particular, HDO shall notify NLACRC in writing each time HDO intends to withdraw funds from the Replacement Reserve Account, and HDO shall not expend any of the Replacement Reserve without first obtaining NLACRC's written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing, in cases of emergencies, HDO is not required to obtain NLACRC's prior written approval, provided that HDO obtain NLACRC's written approval within five working days after withdrawing funds from the Replacement Reserve Account, and replenishes such account if NLACRC fails to provide its approval (which shall not be unreasonably withheld).

16.9.4 Subject to the last sentence of this paragraph, at any time during the term of the Lease, at NLACRC's request and for reasonable cause, HDO shall increase or decrease the monthly amount of the Replacement Reserve, subject to (i) both parties' review of the Residence's operating income and expenses to determine if such change is justified and (ii) any Lender's reserve-for-replacement requirements. Notwithstanding anything herein to the contrary, once DDS has approved the amount of the Replacement Reserve, the Replacement Reserve shall not change until NLACRC submits a replacement reserve analysis to DDS and obtain DDS's approval for such change.

16.9.5 Upon completion of renovations, and at other times when requested by NLACRC, HDO shall provide a Replacement Reserve report (the "**Reserve Report**") to NLACRC, as well as any other information requested by NLACRC, so that (i) NLACRC can timely certify to DDS that, to NLACRC's best knowledge, the interior, exterior, and any detached structures of the Property are in good working condition and properly maintained, and that there is no threat to the health, welfare, and safety of Consumers living at the Property, or staff or visitors, and (ii) NLACRC can file its annual CPP/CRDP Housing Report with DDS as required by the CPP/CRDP Guidelines. The Reserve Report shall (i) estimate the remaining useful life of capital improvements at the Residence, (ii) estimate the amount of funds reasonably needed to timely replace such capital improvements, (iii) state the total amount in the Replacement Reserve Account applicable to the Residence and (iv) list all expenditures from the Replacement Reserve Account during the prior 12 month period applicable to the Residence. An independent third party shall complete each Reserve Report, unless DDS grants prior approval for HDO to prepare the Reserve Report. NLACRC shall ensure an updated Reserve Report is completed and submitted to DDS not less than every five (5) years. In addition, HDO shall maintain and make

available the Replacement Reserve Account detail to NLACRC at all times on request, including but not limited to the account balance, expenditures, receipts, and the purpose for using each of the Replacement Reserve funds.

16.9.6 In addition to the Replacement Reserve, HDO shall create and at all times maintain an operating reserve account to defray HDO's unanticipated monthly operating expense budget shortfalls (the "**Operating Reserve**"). Prior to completion of the renovations to the Residence, HDO shall develop a policy regarding its intended funding and use of the Operating Reserve, which shall be consistent with the CPP/CRDP Guidelines and subject to approval by both DDS and NLACRC. HDO shall at all times maintain and make available to NLACRC various information about the Operating Reserve, such as the purpose of use of the funds, the account balance, expenditures and receipts, as well as an annual summary of the Operating Reserve balance.

17. Property Management. At all times during HDO's ownership of the Property, HDO shall perform normal and customary property management duties, including but not limited to the following: (1) monitoring the Service Provider tenant under the Lease to ensure the Service Provider properly complies with all of its monetary and non-monetary obligations under such Lease, and promptly report any noncompliance to NLACRC; (2) if a Service Provider vacates the Property, handling the transition between the Service Provider and the next one, including (i) assigning HDO personnel or engaging a contractor to clean the Residence and prepare it for use by the next Service Provider and (ii) signing a new Lease, or consenting to a Lease assignment, for the new tenant (subject to NLACRC approval in either event); (3) insuring all insurance required by HDO under the Lease is always in effect and in compliance with the terms of the Lease; (4) promptly notifying NLACRC in writing if any insurance required to be maintained by the Service Provider under the Lease is about to lapse; (5) periodically inspecting the Property and all improvements thereon to ensure that they are always in good working order and condition; (6) engaging qualified contractors or qualified HDO personnel to perform those repair and maintenance duties that are HDO's responsibility; (7) promptly notifying NLACRC of any physical defects, environmental hazards or violations of law discovered at the Property; and (8) generally taking all actions appropriate to preserve the improvements on the Property and to protect its value.

17.1 At NLACRC's request, HDO will enter into a separate Property Management Agreement with NLACRC or the Service Provider to perform such services; provided, however, if DDS requires a third party to provide property management services for the Property, HDO shall comply with DDS's requirements.

17.2 If NLACRC determines, in its reasonable judgment, that HDO has repeatedly failed to comply with any of the material requirements and standards of this Section, then NLACRC shall deliver notice to HDO of its intention to cause replacement of HDO as the property manager for the Residence, including the reasons therefor. Within fifteen (15) days after receipt by HDO of such written notice, NLACRC staff and HDO shall meet in good faith to consider methods for improving HDO's compliance with the requirements of this Section. If,

after a reasonable period as determined by NLACRC (but which shall not be less than sixty (60) days following the date of the initial notice described above), NLACRC determines that HDO is not operating and managing the Residence in accordance with the material requirements and standards of this Section, then NLACRC may require replacement of HDO as the property manager of the Residence. If, after the above procedure, NLACRC requires, in writing, the replacement of HDO as the property manager, then, HDO shall enter into a separate Property Management Agreement with any of the following: (1) NLACRC, (2) the Service Provider, or (3) a third-party property management company, to perform such services; provided, however such replacement property manager shall be mutually selected by HDO and NLACRC in a commercially reasonable manner, and such replacement shall only be implemented to the extent NLACRC and HDO mutually determine that such replacement shall not have a material adverse financial impact on the financial feasibility of the operation of the Residence by HDO, including, but not limited to, HDO's ability to pay all other operational costs and expenses, including, but not limited to, all indebtedness secured by the Deed of Trust. In no event shall NLACRC pursue its rights under Section or the termination section of this Agreement solely in connection with HDO's failure to comply with this Section, unless and until NLACRC has complied with the process set forth above.

18. Real Property Taxes. If a Service Provider is a 501(c)(3) organization, HDO shall take all actions necessary to ensure the Property it leases is exempt from real property taxes (with the understanding that such exemption will not normally apply to assessments, which shall continue to appear on the tax bill).

18.1 Payment of Real Property Taxes. If the Property is not exempt from real property taxes, HDO shall ensure all property taxes and assessments are timely paid.

18.2 Property Tax Exemption. This Paragraph applies only if NLACRC selects a Service Provider which is a 501(c)(3) entity. If the Property is exempt (or intended to be exempt) from real property taxes, HDO shall (a) ensure all assessments are timely paid and (b) take all necessary actions within its control to ensure the Property's tax exempt status is not lost, including but not limited to (1) timely filing for an Organizational Clearance Certificate (Form BOE-277) with the State Board of Equalization within 90 days after this Agreement is executed (or providing proof to NLACRC that HDO has already received its Organizational Clearance Certificate from the SBE); (2) timely renewing such Certificate so that it never lapses during HDO's ownership of the Property; (3) filing with the County Tax Assessor a request for property tax exemption via form BOE-267 (and Form BOE 267-H, if applicable) and annually renewing such exemption once it has been obtained; and (4) insuring the non-profit Service Provider similarly timely files such forms with the State Board of Equalization and the County Tax Assessor as early as possible after HDO purchases the Property and has signed a Lease with a Service Provider (as long as NLACRC first provides the names and annual income of the Consumers who will be residing at such Residence). In no event shall HDO file the initial form BOE-267/267-H later than the first day the first Consumer occupies the Property. (Form BOE-277 is available at the following website: <https://www.boe.ca.gov/proptaxes/pdf/boe277.pdf>; Forms BOE-267 and 267-H are available at the County Assessor's office.) HDO shall file the

initial form BOE-267/267-H with the tax assessor prior to the completion of the renovations to the Residence, as long as NLACRC first provides the names and annual income of the Consumers who will be residing at such Residence.

19. Renovation Work.

19.1 Development/Improvements. HDO may not make any improvements, alterations, additions or changes (collectively, the "**Improvements**") to the Property without first procuring the prior written consent of NLACRC, which consent shall be requested by HDO prior to the commencement of the work, and which consent shall not be unreasonably withheld by NLACRC; provided, however, it shall be deemed reasonable for NLACRC to withhold its consent to any Improvements which adversely affect (i) the structural portions or the systems or equipment of the Property, (ii) the exterior appearance of the Property or (iii) the ability of NLACRC's Consumers to use the Property. Notwithstanding the foregoing, HDO shall be permitted to make Improvements without NLACRC's prior consent, to the extent that such Improvements are (a) decorative only, or relate to the normal repair and maintenance of the Property (e.g., the installation of carpeting, the painting of the walls of the Property, or the basic plumbing, mechanical, HVAC and electrical work) or (b) reasonably related to the existence of an emergency to the extent necessary to maintain the value of the Property and/or the ability to safely permit the continued occupancy thereof by NLACRC's Consumers. Except to the extent permitted by the Funding Approval, NLACRC shall have no obligation to pay for the cost of any of the Improvements performed at the Property.

19.2 Manner of Construction; Terms of Construction Contract. NLACRC may impose, as a condition of its consent to any and all Improvements or repairs of the Property or about the Property, such requirements as NLACRC in its reasonable discretion may deem desirable, including, but not limited to, the requirement that HDO utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen mutually approved by the parties. NLACRC shall have the right to review and approve the terms and conditions of the construction contract between HDO and its general contractor for all Improvements. Further, the construction contract must contain the following provisions: (i) the contractor shall only be entitled to payments based upon performance; (ii) the contractor must provide appropriate conditional and unconditional mechanics lien releases, in accordance with standard construction industry practice, as a condition to its receipt of the installment payment and final payment and (iii) HDO will withhold a 10 percent retention, which it shall only disburse to the contractor after the renovation work is completed, a Certificate of Occupancy (or its equivalent) is provided by the local agency (e.g., building inspector), NLACRC has completed its final walk through, and Service Provider has signed the Certificate of Acceptance attached as an exhibit to the Lease. HDO shall also include the following statement in the construction contract between HDO and the general contractor: "*North Los Angeles County Regional Center is a third-party beneficiary of all of HDO's rights under this Contract.*"

19.3 Construction Insurance. Prior to the commencement of Improvements at the Property, HDO shall provide NLACRC with evidence that adequate liability insurance from

the contractor and adequate casualty insurance (such as “Builder’s All Risk” insurance or another form of casualty insurance reasonably acceptable to NLACRC) is obtained/maintained in an amount approved by NLACRC (which shall in no event be less than the amount actually carried by HDO) covering the construction of such Improvements, it being understood and agreed that all of such Improvements shall be adequately insured by HDO immediately upon completion thereof.

19.4 Compliance With Laws. HDO shall cause all Improvements and repairs to be performed in a good and workmanlike manner, in conformance with any and all applicable federal, state, county or municipal laws, rules and regulations and pursuant to a valid building permit, issued by the city or county in which the Property is located, all in conformance with any commercially reasonable construction rules and regulations NLACRC may promulgate from time to time.

19.5 Timely Development. HDO is responsible and accountable for timely developing the Property so that it can be occupied by Consumers pursuant to the terms of, and by the deadlines contained within, the CPP/CRDP Guidelines. NLACRC shall be responsible for timely identifying and selecting the Service Provider as well as the Consumers for the Property, so that by the time the renovation work is completed, the Service Provider is prepared to occupy the Property and provide residential care services to Consumers.

19.6 Monitoring of Plans and Work. NLACRC shall regularly monitor the project, including but not limited to HDO’s preparation of the plans and the contractor’s performance of the renovation work, to ensure satisfactory progress under Section X of the CPP/CRDP Guidelines. HDO shall promptly respond to all inquiries, and cooperate, coordinate, and otherwise comply with NLACRC’s requests.

19.7 Monthly and Quarterly Updates. On a monthly basis during the installation of the Improvements, and at all times upon NLACRC’s request, HDO shall provide NLACRC with an update as to the progress of its work. NLACRC shall report progress of the project to DDS on a regular basis, as determined by the CPP/CRDP Guidelines.

19.8 HDO’s Delivery of Proof of Expenditures; HDO’s Return of Unused Funds. Upon HDO’s completion of the Improvements at the Property, HDO shall provide to NLACRC invoices and other evidences of HDO’s costs for such work, including evidence of payment to third parties, and HDO hereby authorizes NLACRC to audit HDO’s books and records for such purpose. If this Agreement is subsequently amended to include renovation funding, NLACRC might disburse CPP/CRDP Funds to HDO for renovations before it incurs such renovation costs. In such event, it is possible such CPP/CRDP Funds may exceed the total amount of funds necessary for HDO to complete the renovation work. If that occurs, HDO shall promptly return the excess CPP/CRDP Funds to NLACRC.

19.9 NLACRC’s Option to Deliver CPP/CRDP Funds to Third Parties. If a third party has recorded a lien or threatened to record a lien against the Property as a result of nonpayment for their services, equipment or materials, or if NLACRC otherwise reasonably

believes that HDO may be in breach of contract with any third party, then NLACRC may elect to disburse certain CPP/CRDP Funds directly to such third parties for HDO's benefit, rather than to HDO directly.

19.10 Purchased Furniture, Fixtures and Equipment. Any item of furniture, trade fixture, equipment or other personalty costing over \$2,000 that HDO purchases with funds supplied under this Agreement, and which has a useful life in excess of two years, shall be the property of the State of California. Upon termination of this Agreement for any reason, such items are subject to reclamation by the State.

19.11 Reconciliation. As provided in the CPP/CRDP Guidelines, within 90 days after the renovations are completed, HDO shall submit to NLACRC for verification, a reconciliation statement of final costs and CPP/CRDP Funds expended and claimed. NLACRC shall then provide to DDS a statement of verification of reconciled funds. Any unused balance of CPP/CRDP Funds must be returned to DDS within 120 days of the reconciliation of CPP/CRDP Funds.

19.12 Additional Requirements and Agreements. NLACRC reserves the right to require HDO to enter into further agreements with NLACRC to address the costs and procedures relating to HDO's renovation of the Residence.

20. [Deleted]

21. Management and Maintenance. HDO shall, at HDO's sole cost and expense (except as otherwise provided below), keep the Property (including, without limitation, the exterior walls, foundation, roof structure and membrane, and all improvements, fixtures, equipment, appliances, water lines, plumbing, plumbing fixtures, electrical, heating and air conditioning systems and furnishings therein), in good order, repair and condition at all times during the term of this Agreement. HDO shall maintain the Property in an aesthetically pleasing manner, and in a manner consistent with that which could be considered normal and customary for private residences (i.e., at a minimum, in material conformance with the standards of landscaping and appearance observed in the surrounding neighborhood). All such above-referenced items shall function at the Property for their intended purpose. In addition, HDO shall, at HDO's sole cost and expense, promptly and adequately repair all damage to the Property and replace or repair all damaged, broken, or worn fixtures and appurtenances, including any damage caused by ordinary wear and tear; provided however, that, at NLACRC's option, or if HDO fails to make such repairs, NLACRC may, but need not, make such repairs and replacements, and HDO shall pay NLACRC the cost thereof. The Property shall be subject to periodic inspections by NLACRC. Notwithstanding the foregoing, to the extent HDO and NLACRC agree that some or all of HDO's obligations hereunder are to be performed by a third-party entity or individual (such as pursuant to a management agreement), HDO shall be responsible for ensuring that any such third-party contractor shall comply with the requirements imposed on HDO pursuant to the terms of this Agreement, and in any event HDO shall continue

to remain ultimately responsible to NLACRC for the performance of all of the obligations set forth in this Agreement.

22. Covenant Against Mechanic's Liens. HDO shall keep the Property free from any liens or encumbrances arising out of the work performed, materials furnished or obligations incurred by or on behalf of HDO, and shall protect, defend, indemnify and hold NLACRC harmless from and against any claims, liabilities, judgments or costs (including, without limitation, reasonable attorneys' fees and costs) arising out of same or in connection therewith. HDO shall remove any such lien or encumbrance by bond or otherwise within ten business days after notice by NLACRC, and if HDO shall fail to do so, NLACRC may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof, and HDO shall promptly reimburse NLACRC for any such payments made on behalf of HDO.

23. Payments to HDO Generally.

23.1 Sole Compensation. Unless NLACRC otherwise agrees in writing, HDO agrees that its sole compensation for the services it will provide under this Agreement will be the CPP/CRDP Funds resulting from DDS's Funding Approval; HDO shall not receive any additional compensation for the services provided hereunder and the obligations it has agreed to accept under this Agreement. Further, NLACRC makes no representation or warranty, express or implied, whether DDS will issue a Funding Approval for NLACRC's housing proposal.

23.2 General Funding Requirements and Limitations. HDO shall not bill Consumers or any other funding source for services funded under the terms of this Agreement. HDO understands and agrees that upon completion or termination of this Agreement, NLACRC funding for a subsequent agreement or period, if any, is not guaranteed, and that the decision for such funding is within the discretion of NLACRC.

24. Disposal Policy. HDO represents that it has developed a written policy for any intended disposal of those fixtures and major appliances that exist on the Property on its date of purchase (the "**Disposal Policy**"). The Disposal Policy shall be consistent with the CPP/CRDP Guidelines. HDO shall provide the Disposal Policy to NLACRC upon execution of this Agreement. NLACRC shall submit the Disposal Policy to DDS along with any Housing Proposal.

25. Assignment. HDO shall not assign, transfer or subcontract any of its rights, burdens, duties or obligations under this Agreement without prior written permission of NLACRC, which may be withheld in its sole and arbitrary discretion. If NLACRC consents to an assignment, the assignee shall execute an instrument prepared by NLACRC in which the assignee assumes and agrees to be bound by all of the terms and conditions under this Agreement for the express benefit of NLACRC. The transfer of control of the ownership of HDO to any third party shall constitute an assignment which requires NLACRC's consent hereunder.

26. Independent Contractor. HDO and its agents and employees, in the performance of this Agreement, shall act at all times in an independent capacity. HDO and its agents and employees are not officers, employees or agents of NLACRC. HDO acknowledges that it will not accrue any employee benefits from NLACRC nor will NLACRC be responsible for withholding or paying any amount of workers' compensation, disability insurance or any tax of any kind for HDO. HDO is free to act as an independent contractor for others. HDO is not an agent for NLACRC, and HDO shall not have the authority to execute any agreement on behalf of NLACRC to incur any liability or indebtedness of any kind or nature in the name of or on behalf of NLACRC, or to otherwise contractually bind NLACRC in any manner.

27. Insurance. HDO agrees to purchase and maintain, throughout the term of this Agreement, (i) worker's compensation insurance in the amount required by California law, (ii) automobile liability insurance, (iii) property & casualty insurance for the Property upon acquisition thereof, equal to the replacement value of the improvements on the Property, with DDS named as loss payee, and (iv) and such other coverage that shall be reasonably requested from time to time by NLACRC. In addition, HDO agrees to purchase and maintain commercial and general liability insurance in the amount of not less than \$1,000,000 per occurrence and \$3,000,000 in the aggregate, during the period of this Agreement; provided, however, NLACRC reserves the right to increase the liability limit under such insurance policy on not more than once during any three year period during the term of this Agreement, based on advice by its insurance broker(s). The commercial general liability insurance shall include endorsements for premises and operations liability and for broad form contractual liability, and shall have a deductible or self-insured retention of no more than \$10,000. Insurers who are admitted to do business in the State of California and rated A- and X or higher in the most recent edition of Best Insurance Guide shall issue all insurance policies. All insurance policies (other than the workers' compensation policy) shall be endorsed to name "*North Los Angeles County Regional Center*" and "*State of California Department of Developmental Services*" as additional insureds during the term of this Agreement, and HDO shall provide to NLACRC a true and correct copy of the Named Additional Insured Endorsements on the Effective Date, listing the specific name of the project and the Property address. Each policy of insurance providing coverage required hereunder shall provide that it may not be cancelled or materially modified unless NLACRC is provided at least 30 days' prior written notice thereof. HDO shall also provide to NLACRC a Certificate of Insurance annually, which certifies the existence of the insurance required under this Agreement. To the extent these provisions are not the same as the provisions in the Lease (or Restrictive Covenant, if applicable) regarding insurance, HDO shall comply with those provisions that most broadly protect NLACRC.

28. HDO's Indemnification of NLACRC. HDO shall indemnify, defend, and hold harmless NLACRC and its representatives, officers, directors, agents, consultants and employees and their respective successors and assigns, including but not limited to the State of California and its agents and employees (collectively referred to as the "**Indemnified Parties**"), from any and all losses, costs, expenses, (including but not limited to reasonable attorney's fees), liabilities, claims, court costs, demands, debts, causes of action, fines, judgments and penalties which arise from or relate to (a) death or injury to people or damage to property in connection

with the negligent or willful acts, errors or omissions of HDO or its employees, agents, consultants or anyone employed by HDO to act on its behalf, (b) claims under workers' compensation laws or other employee benefit laws by HDO's agents or employees, (c) HDO's failure to fulfill its obligations under this Agreement (including the documents incorporated by reference herein) in strict accordance with its terms, including HDO's breach of any representations or covenants given in this Agreement or (d) violation of any local, state, or federal law, regulation or code by HDO or by any of HDO's employees, agents, consultants or subcontractors in connection with the conduct of their activities performed in connection with this Agreement.

28.1 Assumption of Defense. HDO will assume the defense, at its sole expense, and with legal counsel acceptable to NLACRC, of any claims or litigation as to which it has an indemnification obligation hereunder. NLACRC need not have first paid any such claim in order to be so indemnified. NLACRC shall cooperate with HDO and its counsel in the defense of any such claims, provided, however, that any costs or expenses associated with such cooperation shall be reimbursed by HDO. If HDO fails to assume the defense of any claim or litigation as to which it has or is determined to have had the obligation to indemnify, the Indemnified Parties will have the right to assume their own defense, and HDO will be obligated to reimburse the Indemnified Parties for any and all reasonable expenses (including, but not limited to attorney's fees) incurred in defense of such claims or litigation, in addition to HDO's other indemnity obligations thereunder. HDO shall control the defense and settlement of any claim; provided, however, if HDO fails to promptly assume the defense of any claim or litigation as to which it has or is determined to have had the obligation to indemnify, NLACRC shall have such control.

28.2 Survival of Provisions. The indemnity set forth in this Section shall apply during the term of this Agreement and shall also survive the expiration or termination of this Agreement, until such time as action against all of the Indemnified Parties on account of any matter covered by such indemnity is barred by the applicable statute of limitations.

29. Breach; Remedies.

29.1 If a party (the "**Complainant**") asserts that a violation of the provisions of this Agreement has occurred, it shall so inform the other party (the "**Breaching Party**") in writing, stating the nature of such violation in detail (the "**Notice of Default**") and giving the Breaching Party 30 days from receipt of such notice to cure such breach or failure. If the Breaching Party does not then cure the default within such 30-day period (or, if the default is not susceptible of cure within such 30-day period, the Breaching Party fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then the Complainant shall be entitled to terminate this Agreement (as provided below) as well as pursue any other rights afforded it in law or in equity (subject to the provisions below).

29.2 If the Complainant is NLACRC, then NLACRC may (1) withhold all or part of the unremitted CPP/CRDP Funds it may owe to HDO under this Agreement or under any other agreement between NLACRC and HDO, until satisfactory corrective measures are taken

by HDO; (2) perform the task itself and at HDO's expense and/or (3) terminate this Agreement without further notice if HDO fails to timely cure the violation described in the Notice of Default.

29.3 If the Complainant is HDO, then HDO may terminate this Agreement if NLACRC fails to timely cure the violation described in the Notice of Default, and obtain recovery of its actual damages as its sole and exclusive remedy, subject to the limitations in Section 32 below.

29.4 If (i) HDO fails to perform its obligations to timely renovate the Property, or (ii) after the Property is renovated HDO ceases to use the Property for occupancy by Consumers (other than as the result of a temporary cessation of use of the housing by Consumers due to casualty, or condemnation or lack of Consumer referrals from NLACRC), then in addition to all of the other remedies available to NLACRC hereunder or otherwise available at law or in equity, NLACRC shall have the right to require immediate repayment of all CPP/CRDP Funds which NLACRC had previously disbursed to HDO relating to the Property. In such event, HDO shall repay all such funds to NLACRC within 30 days following its receipt of a demand therefor from NLACRC.

29.5 Notwithstanding any provisions in this Section 29 to the contrary, if NLACRC has clear and convincing evidence of misconduct by HDO or its agents or employees that results in imminent danger to the health or safety of any Consumer, NLACRC shall have the right and option to declare that HDO has committed a non-curable default. Circumstances which may constitute imminent danger to consumer health and safety include, but are not limited to: physical, emotional, or mental abuse, sexual misconduct, client abandonment or neglect, theft of a Consumer's money or property, violation of a Consumer's rights under the law, placing Consumers in physical danger, or any other circumstance that may bring potential physical or emotional harm to the Consumer. If any of the foregoing occur, NLACRC may terminate this Agreement with 5 days written notice to HDO.

29.6 A default by HDO under this Agreement shall, at NLACRC's option, constitute a default by HDO under any other agreement between the parties, and a default by HDO under any other agreement between the parties shall, at NLACRC's option, constitute a default by HDO under this Agreement.

30. Consequences of Termination. Upon the termination of this Agreement as a result of HDO's breach, HDO shall, immediately on request of NLACRC, do all of the following: (1) execute and notarize a grant deed to convey its fee ownership in the Property to a different housing development organization selected by NLACRC (the "New Owner"); (2) execute a Lease Assignment Agreement (on a form provided by NLACRC) to convey all of its rights and obligations as landlord under the Lease to the New Owner; (3) execute all documents required by the Lender to allow for assumption of the Loan by the New Owner, if possible; and (4) execute all other documents and perform all other acts reasonably requested by NLACRC to ensure a

smooth transition of all of HDO's rights and responsibilities under this Agreement, the Lease and the Loan to the New Owner.

31. Specific Performance. The parties acknowledge that a breach of this Agreement by HDO will result in significant damages to NLACRC, which are impossible or extremely difficult to determine, and that monetary damages would be an inadequate remedy for such breach. Further, HDO's failure to comply with these provisions could jeopardize the health and safety of NLACRC's Consumers. As such, the parties agree that NLACRC has the right to specifically enforce HDO's obligations under this Agreement. Thus, NLACRC may obtain a temporary restraining order, preliminary injunctive relief and permanent injunctive relief to require HDO to perform its obligations to NLACRC, including but not limited to its obligation to execute all documents and perform all acts reasonably requested by NLACRC to convey fee ownership of the Property to the New Owner(s).

32. Limitation on NLACRC's Liability. Notwithstanding any provision to the contrary contained in this Agreement, NLACRC's liability hereunder shall be limited to an amount equal to the lesser of \$250,000 or the aggregate dollar value of all CPP/CRDP Funds then previously received by HDO under the terms of this Agreement. In addition, and again notwithstanding any provision to the contrary contained in this Agreement, in no event shall NLACRC or any of its partners, subpartners or any of their respective officers, agents, servants, employees, and independent contractors be liable under any circumstances for injury or damage to, or interference with, HDO's business, including but not limited to, consequential damages, loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, in each case, however occurring.

33. HDO's Books, Records and Other Information; Audits.

33.1 HDO's Delivery of Documents and Information. Upon NLACRC's request, HDO shall promptly deliver to NLACRC all information and documents relating to HDO and/or the Property that NLACRC so requests, including but not limited to HDO's organizational documents, IRS approval of HDO's 501(c)(3) status, a current Certificate of Good Standing from the California Secretary of State, a list of current officers and board members, applicable corporate resolutions authorizing the signatory(ies) of this Agreement to sign this Agreement and other contracts relating to the Property, employee resumes and background experience, certifications, budgets, financial statements, construction cost audit, and other information relating to the Property that HDO is considering acquiring or has acquired. Although NLACRC must obtain such information and documents to comply with the CPP/CRDP Guidelines, HDO shall provide such information and documents to NLACRC for the Property on request.

33.2 Maintenance of Books and Records. HDO agrees to maintain and preserve, until three years after the service has been performed, any pertinent books, documents, papers, and records relative to this Agreement. HDO agrees to maintain audited financial records in accordance with generally accepted accounting principles, consistently applied.

33.3 Record Inspection and Audit. NLACRC shall have the right to review and inspect all of HDO's records regarding services provided under this Agreement, in accordance with the provisions in California Code of Regulations (Title 17, Part II, Chapter 1, subchapter 6 and subchapter 18). An audit of HDO's records pertaining to this Agreement may be made by NLACRC or any other third party authorized to conduct such an audit, for a period of three years after the termination of this Agreement. All audits will be conducted according to Title 17 regulations. HDO will be informed of the audit in writing and will be given a written report on the results of the audit once it is completed. HDO has the right to appeal any findings resulting from an audit. The specific appeal procedure will be communicated to HDO at the time the audit is announced.

33.4 HDO's Reviews and Audits. This Section 33.4 shall only apply if all payments HDO cumulatively receives from NLACRC and other regional centers during HDO's fiscal year (as determined on the commencement date of this Agreement) equals or exceeds the threshold amount noted in Welfare and Institutions Code Section 4652.5. (Commencing June 8, 2016, the threshold amount is \$500,000.)

33.4.1 HDO shall, at NLACRC's request and at HDO's cost, cause an independent Certified Public Accountant to annually provide (1) an independent audit of HDO's financial statements (or, if HDO qualifies based on the terms in the statute, an independent review report in lieu of an audit); and (2) a copy of either the annual audit results (the "**Audit Report**") or the review results (the "**Review Report**") to NLACRC.

33.4.2 If HDO engages an independent Certified Public Accountant to review (but not audit) HDO's financial statements, (i) the review shall, at minimum, comply with the provisions set forth in Welfare and Institutions Code Section 4652.5(e) and (ii) the Review Report shall, at minimum, comply with the provisions set forth in Welfare and Institutions Code Section 4652.5(f).

33.4.3 HDO shall commence the independent audit or review within 120 days after the end of HDO's fiscal year. HDO shall complete the audit or review within nine months after the end of HDO's fiscal year.

33.4.4 In accordance with Welfare and Institutions Code Section 4652.5(b), HDO shall provide copies of the independent Audit Report or Review Report to NLACRC within 30 days after completion of the audit or review.

33.4.5 If NLACRC believes that any issues identified in the Audit Report or Review Report have an impact on services HDO provides to NLACRC's Consumers, NLACRC will so notify HDO and provide HDO with 30 days to resolve such issues. HDO's failure to resolve such issues to NLACRC's reasonable satisfaction within such 30-day period shall constitute a material breach of this

Agreement. As a result of such uncured breach, NLACRC may, among its other remedies, terminate this Agreement.

33.4.6 HDO may request periodic exemptions from these requirements to the extent permitted by applicable statutory law.

34. The Funding Contingency. Notwithstanding anything in this Agreement to the contrary, NLACRC's obligation to remit funds to HDO under this Agreement or to any Service Provider under any Service Provider Agreement is conditioned on NLACRC's receipt of adequate funds from DDS to pay for such costs (the "**Funding Contingency**"). The Funding Contingency is a part of this Agreement because NLACRC's annual funding agreement with DDS provides that such funding agreement is subject to the appropriation of funds by the Legislature, and that if such funds are not appropriated for any fiscal year into which such funding agreement extends, the funding agreement is of no force and effect. NLACRC shall therefore have the right and option to terminate this Agreement on 60 days' notice to HDO, without liability, and such termination shall be deemed a failure of the Funding Contingency, if (1) DDS for any reason fails to deliver funds to NLACRC necessary to retain HDO's services hereunder or a Service Provider's services at the Property or (2) NLACRC receives funds from DDS for HDO under this Agreement or a Service Provider's services at the Property but NLACRC determines that such funds are inadequate to pay for all of the vendor services and other expenses which NLACRC expects to incur in such fiscal year relating to the Property. If there is a failure of the Funding Contingency, then (1) NLACRC shall have no liability to pay funds to HDO under this Agreement or any Service Provider under any Service Provider Agreement (other than funds for services previously validly performed by HDO under this Agreement or to the Service Provider and for which NLACRC has received DDS funding) or to furnish any other consideration under this Agreement and (2) neither party shall be obligated to further perform any provisions of this Agreement (other than those obligations intended to survive termination of this Agreement). In the event NLACRC exercises the Funding Contingency, NLACRC and DDS agree to use best efforts to negotiate a workout for the impacted Property.

35. No Discrimination. Neither party shall deny this Agreement's benefits to any person on the basis of religion, color, ethnic group identification, sex, sexual orientation, age, physical or mental disability, nor shall any either party discriminate unlawfully against any employee or applicant for employment. HDO shall also comply with the provisions of the California Fair Employment and Housing Act (Government Code, Section 12900 et seq.), the regulations promulgated thereunder, and the provisions of Government Code Sections 11135-11139.5.

36. HIPAA Compliance. Under this Agreement, "**HIPAA**" means the federal Health Insurance Portability and Accountability Act (Pub. L. No. 104-191), the HIPAA regulations as set forth in 45 C.F.R. Parts 160 and 164 (aka the HIPAA Privacy Rule), and regulations on Standards for Privacy of Individually Identifiable Health Information. All parties shall at all

times remain in compliance with the mandatory provisions of HIPAA, including but not limited to the HIPAA Privacy Rule. If, in performing its duties under this Agreement, HDO has access to “protected health information,” including but not limited to “individually identifiable health information,” HDO shall be considered a “Business Associate” as those terms are defined in HIPAA. If NLACRC determines that HDO is a Business Associate, then immediately on request, HDO shall execute NLACRC’s form of Business Associate Agreement (“**BAA**”) The form of BAA is published on NLACRC’s website and is incorporated herein by this reference as if directly signed by each party. The following is a hyperlink to the BAA, which is located on NLACRC’s website at: <https://www.nlacrc.org/service-providers/policies>

36.1 Within five days after the termination of this Agreement for any reason, HDO shall (i) return to NLACRC, or destroy, all protected health information concerning NLACRC’s Consumers in HDO’s possession or control and (ii) deliver to NLACRC a Certificate of Return or Destruction of PHI (the “**Certificate**”). The following is a hyperlink to the Certificate, which is located on the NLACRC’s website: <https://www.nlacrc.org/service-providers/forms>

37. Copyrights And Patents. To the extent any of HDO’s activities result in the invention or development of copyrightable materials, the State of California has the right to freely manufacture, reproduce, publish, use and/or distribute all inventions and copyrightable materials which were developed by or for HDO using funds provided by the State of California. To the extent applicable, Section 14 of Article I of the Regional Center Master Contract between NLACRC and the State of California is incorporated herein by this reference.

38. Cooperation; Adequate Staffing. HDO shall meet as often as NLACRC determines necessary and shall work collaboratively with any NLACRC staff regarding the acquisition, renovation and maintenance of the Property. HDO agrees to supply staff sufficient in numbers to satisfactorily carry out the terms of this Agreement.

39. Compliance with Law. HDO shall at all times comply with all local, California and Federal statutes, laws, and regulations applicable to HDO, and shall render services in accordance with the applicable provisions of all laws (including but not limited to Welfare and Institutions Code, Division 4.5, Services for the Developmentally Disabled [Lanterman Developmental Disabilities Services Act], and Calif. Code of Regs. Title 17, Division 2, Health and Welfare Agency [Department of Developmental Services]). Any provisions of this Agreement that conflict with any law is hereby amended to conform to the provisions of those statutes and regulations. Such amendments to the Agreement shall be effective on the effective date of the statute or regulations necessitating it, and shall be binding on the parties even though such amendment may not have been reduced to writing or expressly agreed to by the parties. No provision of this Agreement shall not be construed to excuse compliance with all applicable laws.

40. Permits and Licenses. HDO and its employees and agents shall secure and maintain throughout the term of this Agreement, any and all valid permits and licenses as required by law for the execution of the services described in this Agreement.

41. Zero Tolerance Policy For Consumer Abuse And Neglect. HDO shall ensure all of its employees are fully informed upon hire, and annually thereafter, about NLACRC's Zero Tolerance Policy or Consumer Abuse or Neglect, pursuant to the Elder Abuse and Dependent Adult Civil Protection Act (California WIC section 15600-15675), and Child Abuse and Neglect Reporting Act (California Penal Code sections 11164-11174.3). Such policy is posted on NLACRC's website at: <https://www.nlacrc.org/service-providers/policies>. HDO employee or agent who fails to report Consumer abuse or neglect may be subject to penalties defined in law (WIC, section 15630(h)). In addition, upon becoming aware of a reportable incident or allegation of abuse or neglect of a Consumer, HDO shall take immediate action to protect the health and safety of the involved Consumer and all other Consumers. HDO shall ensure its staff has knowledge of the signs of Consumer abuse and neglect, the process for reporting suspected abuse or neglect, and the consequences of failing to follow the law or adhere to NLACRC's Zero Tolerance Policy. HDO's failure to comply with the policy and the abuse/neglect reporting laws is considered a material breach of this Agreement.

42. Drug-Free Workplace. During the term of this Agreement, HDO shall maintain and enforce a drug-free workplace policy. Neither HDO or its employees shall unlawfully manufacture, distribute, dispense, possess or use "controlled substances" (as defined in 21 U.S.C. Section 812), at any of HDO's facilities or work sites. Violation of this provision shall constitute a material breach of this Agreement.

43. Attorney's Fees. If any action or proceeding at law is commenced to enforce any provisions or rights under this Agreement, the unsuccessful party to such action or proceeding as determined by the court in a final judgment or decree, shall pay the attorneys' fees and costs of the prevailing party (including, without limitation, such costs, expenses and fees on any appeal), and if such prevailing party shall recover judgment if any such action or proceeding, such costs, expenses and attorney's fees shall be included as part of such judgment.

44. Severability. If any provision of the Agreement is held to be inoperative, unenforceable or otherwise invalid, the remaining provisions hereof shall remain in full force and effect.

45. Integration. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter contained herein, and it supersedes all prior agreements, contracts, representations and understandings of the parties, either oral or written, relating to the subject matter of this Agreement, including any other housing agreements to the extent they concern housing intended to be paid for in full or part with DDS community placement plan funds. In addition to the foregoing, the parties may enter into start-up contracts and other agreements in the future relating to matters covered by this Agreement; in such event, (1) such contracts and agreements shall remain subject to the terms of this Agreement and (2) if any

inconsistency exists between such contracts and agreements and this Agreement, the terms of this Agreement shall govern.

46. Amendment. No supplement, modification, understanding, verbal agreement, or amendment of this Agreement shall be binding unless executed in writing by NLACRC and HDO.

47. No Waiver. No waiver by NLACRC of HDO's breach of any provision of this Agreement shall constitute a waiver by NLACRC in the future of the same or any other subsequent breach by HDO. NLACRC's failure to enforce at any time, or from time to time, any provision of this Agreement shall not be construed as a waiver thereof. No custom or practice that may develop among the parties in the course of administering this Agreement shall be construed to waive any party's right to insist upon the strict performance by the other party of any obligation in the Agreement. The remedies herein reserved shall be cumulative and in addition to any other remedies in law or equity.

48. Address for Notices. Any notices required or permitted under this Agreement shall be in writing and shall be sufficiently given if either delivered in person or mailed by a nationally recognized overnight mail carrier or certified or registered mail, postage prepaid, to the parties at such address as each of them, by notice to the other, may designate from time-to-time, as well as delivered by email. Any written document will be deemed delivered either (a) on the day of the delivery in person, (b) the next business day if delivered by overnight carrier or (c) two business days after the mailing of such document by certified or registered mail. All notices shall be addressed as follows:

To NLACRC:

North Los Angeles County Regional Center
9200 Oakdale Ave, Suite 100
Chatsworth, CA 91311

To HDO:

Vendor Name
Mailing address
City, State Zip

or to such other address as either party may designate to each other in accordance with the provisions of this section.

49. Further Assurances. The parties acknowledge that this Agreement reflects a new housing model for Consumers in California, and it is therefore not possible to precisely identify all matters that should be addressed by this Agreement. As such, HDO agrees to enter into amendments to this Agreement which do not materially increase HDO's obligations hereunder at the request of NLACRC from time to time, to further reflect and refine the parties' rights and obligations. HDO shall also take all actions and execute all documents necessary or appropriate to perform its obligations hereunder.

50. No Liability by State of California. Any and all funding from the State of California (the "State") used by NLACRC in the performance of its obligations under this Agreement is subject to appropriation in the annual California State Budget Act by the State

Legislature. Thus, (1) this Agreement as well as all contracts between NLACRC and its Service Provider are subject to termination without further liability if funding is not appropriated for these purposes by the State Legislature; (2) NLACRC does not act as an agent of the State; (3) NLACRC does have the authority to commit State funding under this Agreement unless funds are appropriated to it by the State Legislature, either in the State Budget Act or otherwise; and (4) the State is not a party to this Agreement and provides no assurances or commitments as to the availability of State funding during any portion of the term of this Agreement or any Lease.

51. Time of the Essence. Time is the essence with respect to the obligations under this Agreement.

52. California Law; Venue. This Agreement will be construed and enforced in accordance with the laws of the State of California. The venue for any action filed to enforce or interpret this Agreement shall be in Chatsworth, California.

53. SRF Contingency; DDS Approval. The validity of this Agreement is conditioned on DDS's approval of HDO as an entity qualified to acquire and renovate an SRF within NLACRC's catchment area under the CPP/CRDP Guidelines. As part of such approval, DDS may require HDO to establish that it is financially capable to own and maintain property suitable for those Consumers that NLACRC intends to refer for occupancy.

54. Counterparts; Delivery. This Agreement may be executed in counterparts, each which shall be deemed an original and all of which shall constitute a single instrument. Signed copies of this Agreement delivered by facsimile or electronically in PDF (or similar format) shall be deemed the same as originals.

Executed in Chatsworth, California as of the date first written above.

“NLACRC”:

“HDO”:

North Los Angeles County Regional Center, Inc., Vendor Name, entity type
a California nonprofit corporation

By: VOID

By: _____
Name, Title

Exhibits to Housing Agreement

- Exhibit A – Available CPP/CRDP Acquisition and Renovation Funds
- Exhibit B – Property Acceptance Agreement
- Exhibit C – NLACRC Commitment Letter

Exhibit D – Lease and Lease Addendum