

EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE

May 10, 2023

MINUTES

PRESENT

Gloria Leiva, Chair
Elizabeth Beltran
Larry DeBoer
Louis Mitchell
Brigitte Sroujeh

STAFF

Pablo Ibanez
Melinda Sullivan

CALL TO ORDER

Ms. Leiva called the meeting to order at 12:05 p.m. The meeting was held via Zoom.

APPROVAL OF MINUTES

The minutes of April 12, 2023 were approved by consensus.

CONTRACTS OVER \$250,000.

Multi-Family Housing Contract- EAH Housing Inc. Lexington Gardens

Mr. Ibanez advised the Committee that in response to FDLRC's request for Community Placement Plan (CPP) funding, DDS has awarded \$1,500,000 to EAH Housing Inc. to develop an affordable housing project consisting of 48 studio units, with 12 units set aside for FDLRC individuals, located at 1201 N Detroit Street, West Hollywood CA 90046. EAH will monitor the design, financing, development, leasing, and management of the apartments. In addition, EAH will help FDLRC individuals in the application process and leasing of the apartment, and collaborate with FDLRC to maintain an active waitlist for the FDLRC units to help individuals. FDLRC will coordinate the selection of the FDLRC individuals for these units.

The contract period will be June 1, 2023 – June 30, 2025. EAH Housing Inc. will receive a loan of \$1,500,000 from the State of California for the demolition, renovation, construction and associated costs of this multi-family housing project. Funds will be disbursed at the closing of the construction loan consistent with the CPP Housing Agreement. EAH must ensure the expenditure of all of the CPP Funds by March 31, 2025; any unspent funds will revert to the State.

Ms. Beltran moved that the Board approve the contract with EAH Housing Inc., Mr. DeBoer seconded the motion, and it passed unanimously.

CPP Contract Request – Brilliant Corners

Mr. Ibanez apprised the Committee of a complicated contractual issue requiring immediate Board attention related to a FY20/21 Community Placement Plan (CPP) award to develop a home for individuals with high levels of need. The Center failed to bring contract modifications related to this project to the Board's attention and are mitigating this error by doing so now.

- On June 23, 2021, the Board approved an original award amount of \$600,000 to Brilliant Corners for the development of this CPP home, \$300,000 for acquisition and \$300,000 for renovation.
- On September 7, 2021 due to difficulties with finding a specialized home, the high cost of real estate and the competitive real estate market, DDS approved use the entire \$600,000 award towards acquisition costs.
- On November 4, 2021, DDS conditionally approved reclassifying our project as an Enhanced Behavioral Supports Home (EBSH) and increasing our acquisition and renovation award based on a concrete budget to follow.
- On June 3, 2022, after finding a prospective home and presenting a concrete budget, DDS formally approved our request for \$699,190 for acquisition costs and \$421,656 for renovation costs.
- Earlier this year two contract amendments adjusting the original award amounts were fully executed. This first was to increase the initial \$600,000 contract from \$600,000 to \$699,190 in acquisition costs associated with FY 20/21 and the second was for \$421,656 for renovation costs associated with FY 21/22.

After realizing the Center's error in not bringing these contract amendments to the Board and after consulting with legal counsel, Enright and Ocheltree, the Center will be asking the Board to pass a motion to ratify the subsequent contracts.

Mr. DeBoer moved that the Board ratify the subsequent contracts, Ms. Beltran seconded the motion, and it passed unanimously.

CONFLICT OF INTEREST REVIEW

DDS Approved Conflict of Interest Resolution Plans – (For Information Only)

Ms. Sullivan reported on all DDS approved Conflict of Interest Resolution Plans as follows:

- 1) **Gwen Jordan** has a potential conflict with Wendi Jordan, who is vendored by Westside Regional Center to conduct psycho-social evaluations. Lanterman has not used Wendi to conduct psycho-social evaluations and, as per the approved plan, we will not use her for this function. *(Shared at Leadership staff on 5/2/23)*

2) **Anita Arcilla-Gutierrez** has a potential conflict with the Haynes Balcome Home, a residential service provider in NLACRC's area. As such, she will not refer clients to the Haynes Balcome Homes or promote its services and will have no involvement whatsoever in any action or business involving or affecting Haynes Balcome Homes and Lanterman clients. *(Shared at Leadership staff on 5/2/23)*

3) **Karina Fuentes** has a potential conflict with Accredited Nursing. As such, she will not refer clients to this provider, whether for respite or nursing services. She will not promote the services of Accredited and will have no involvement whatsoever in any action involving Accredited. *(Shared at Leadership staff on 5/2/23)*

Ms. Sullivan advised the Committee that the Lanterman management staff and involved employees were informed of the expectations to ensure that the employees have no involvement in any action or business involving the parties.

ADJOURNMENT FOR EXECUTIVE SESSION

Ms. Beltran moved to suspend the General Session meeting at 12:30 p.m. for Executive Session to conduct business on Approval of Minutes, Litigation, and Personnel. Ms. Sroujeh seconded the motion, and it passed unanimously.

RECONVENE FOR GENERAL SESSION

The Committee conducted business in executive session on Approval of Minutes, Litigation, and Personnel.

ADJOURNMENT

Mr. Mitchell moved to adjourn the meeting at 12:40 p.m., Ms. Sroujeh seconded the motion, and it passed unanimously.

/fl

MEMORANDUM

Date: May 4, 2023

To: Shaikh Shamim
From: Christian Irigoyen

Re: Multi-Family Housing Contract- EAH Housing Inc. Lexington Gardens

In response to FDLRC's request for Community Placement Plan (CPP) funding, DDS has awarded \$1,500,000 to EAH Housing Inc. to develop an affordable housing project consisting of 48 studio units, with 12 units set aside for FDLRC individuals, located at 1201 N Detroit Street, West Hollywood CA 90046. EAH will monitor the design, financing, development, leasing, and management of the apartments. In addition, EAH will help FDLRC individuals in the application process and leasing of the apartment, and collaborate with FDLRC to maintain an active waitlist for the FDLRC units to help individuals continue to apply for the set-aside units that become vacant after the initial leasing of the apartments. FDLRC will coordinate the selection of the FDLRC individuals for these units.

The contract period will be June 1, 2023 – June 30, 2025. EAH Housing Inc. will receive a loan of \$1,500,000 from the State of California for the demolition, renovation, construction and associated costs of this multi-family housing project. Funds will be disbursed at the closing of the construction loan consistent with the CPP Housing Agreement. EAH must ensure the expenditure of all of the CPP Funds by March 31, 2025; any unspent funds will revert to the State.

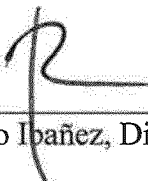
Vendor information:

EAH Housing Inc.
Denise Wint
18801 Ventura Blvd, Suite 300
Tarzana, CA 91356

Contact information:

(415) 295-8855
denise.wint@eahhousing.org

Because this contract is above \$250,000. Board approval has been submitted.
Please let me know if additional information is needed.


Pablo Ibañez, Director of Community Services

5/4/23
Date


Melinda Sullivan, Executive Director

5-4-23
Date

CPP HOUSING AGREEMENT

(FY 2022-2023)

LEXINGTON GARDENS (FDLRC 2223-5)

This CPP Housing Agreement (this “**Agreement**”), dated for reference purposes as of June 1, 2023 (the “**Effective Date**”), is entered into by and between EAH Housing, a California nonprofit corporation (“**EAH Housing**”) and Frank D. Lanterman Regional Center, Inc., a California nonprofit corporation (“**FDLRC**”), in accordance with the following facts:

A. The Clients. FDLRC provides services to individuals with developmental disabilities (“the **Clients**”) in the following Los Angeles cities/areas: Hollywood-Wilshire, Central Los Angeles, Pasadena, Glendale, Burbank, La Cañada-Flintridge and La Crescenta.

B. EAH Housing Mission. EAH Housing represents and warrants that it has the experience and expertise to partner with affordable housing developers to secure and support the set-aside of affordable rental apartments for individuals with special needs, including individuals with developmental disabilities, and that its primary mission is to assist such individuals with their housing needs.

C. The Owner: the Property. EAH Housing a California limited partnership (the “**Owner**”) is the fee owner of real property located at 1201 North Detroit Street, West Hollywood, CA 90046 (“the **Property**”) in the County of Los Angeles.

D. The Improvements. EAH Housing has informed FDLRC that Owner intends to develop an affordable housing project consisting of 48 studio apartments (the “**Improvements**”) on the Property.

E. FDLRC-Restricted Units. FDLRC has approved EAH Housing’s proposal for an award of funds to work with the Owner to provide a set-aside of twelve (12) studio apartments at the Property to Clients who are Extremely Low-Income and Very Low-Income (as defined by California Health and Safety Code Section 50105) (“**FDLRC-Restricted Units**”).

F. CPP Guidelines. The California Department of Development Services (“**DDS**”) has published Guidelines for Purchasing and Developing Permanent Housing Through the Regional Center Community Placement Plan for Fiscal Year 2017-18, Requests and Modifications (the “**CPP Guidelines**”). The CPP Guidelines include Appendix N entitled, “Community Placement Plan Multi-Family Housing” (the “**Multi-Family Provisions**”). EAH Housing acknowledges that it has reviewed and understands the CPP Guidelines, including the Multi-Family Provisions and all other Appendices thereto. All references in the CPP Guidelines to the “NPO” and the “HDO” means EAH Housing and Owner, as applicable. EAH Housing is responsible for pursuing and monitoring the compliance of the Owner with all CPP Guidelines that can be satisfied solely by the Owner, and for promptly notifying FDLRC and DDS in writing whenever it has been unable to secure the compliance of the Owner with any of the CPP Guidelines that can be satisfied solely by the Owner.

G. Housing Proposal; Funding Approval; CPP Funds. In accordance with the CPP Guidelines, FDLRC (with EAH Housing assistance) shall submit a housing proposal to DDS requesting funds for the pre-development (costs will be reimbursed at construction close) and construction of the Improvements for the benefit of Clients. DDS's Letter of Conditional Approval (as defined in the CPP 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 FDLRC pursuant to the Funding Approval are hereinafter referred to as "**CPP Funds**"; *provided, however*, notwithstanding anything in this Agreement to the contrary, FDLRC shall have no financial or other obligation of any nature with respect to the Property until DDS gives its final approval under the Multi-Family Provisions of the CPP Guidelines.

H. Occupancy by Clients. Prior to the Owner's completion of construction of the Improvements on the Property, EAH Housing is responsible for implementing the marketing, lease-up and assistance with unit design for the FDLRC-Restricted Units and for collaborating with FDLRC to ensure that each Client receives Independent Living, Supported Living, Housing Support Services and other FDLRC-provided services that will promote successful living at the Property in accordance with each Client's Individual Program Plan ("**IPP**").

I. Purpose of Agreement. The purpose of this Agreement is to describe FDLRC's and EAH Housing's rights and obligations to each other with respect to the Owner's development and management of the Property, and EAH Housing's management of the FDLRC-Restricted Units, and the provision of supportive services to Clients living at the Property, conditioned on FDLRC's receipt of Funding Approval and final approval from DDS.

NOW THEREFORE, in consideration of the following mutual covenants, FDLRC and EAH Housing agree as follows:

1. The Amount of CPP Funds. The maximum amount of FY 2020-2021 CPP Funds available for the demolition, renovation and construction of the Improvements is One Million 500 Hundred Thousand Dollars (\$1,500,000) (See Exhibit A). EAH Housing must ensure the expenditure of all of the CPP Funds by March 31, 2026; any unspent funds will revert to the State.

2. Uses of CPP Funds. The CPP Funds may be used for qualifying pre-development, renovation and construction costs of the Improvements pursuant to a final budget (the "**Final Budget**") which EAH Housing shall submit to FDLRC for approval within 15 days after the City of West Hollywood approves the final plans and specifications for the construction of the Improvements on the Property.

2.1 Portion of Costs. The CPP Funds constitute only a portion of the total estimated cost necessary for the development of the Improvements at the Property. The application of the CPP Funds to cover specific development costs shall be subject to the approval of FDLRC from among the following permitted uses of CPP Funds, taking into account requirements and priorities of other funders of the Improvements:

2.1.1 Pre-Development Expenses: Architecture, engineering, and other third party costs incurred by the Owner to plan for the design, renovation, demolition and construction of the Improvements;

2.1.2 Renovation and Demolition: Costs incurred by the Owner to rehabilitate existing buildings that will be retained at the Property and to demolish buildings that will be replaced by new construction; and

2.1.3 New Construction: Costs incurred by the Owner to construct new apartment buildings and other improvements at the Property.

2.2 Compliance with State Administrative Manual. Approval of payment(s) by FDLRC 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.

2.3 No Use of CPP Funds and Other Funds for Same Purpose. EAH Housing shall ensure that CPP Funds are not used for any costs and expenses already funded or committed to be funded by any other funding sources for the development of the Property.

3. Disbursement of CPP Funds.

3.1 Disbursement; Funding Conditions. Provided the CPP Funds are expended not later than March 31, 2026, FDLRC shall disburse the maximum amount of One Million Five Hundred Thousand Dollars (\$1,500,000) of CPP Funds to reimburse Owner for qualifying expenses for the Improvements in accordance with the terms of this Agreement. FDLRC shall disburse such funds at the closing of the construction loan for the Improvements, as provided in Section 3.3 below, after (i) FDLRC's approval of the Final Budget, (ii) FDLRC's receipt and approval of invoices for qualified expenses included in the Final Budget and (iii) Owner's execution and delivery of all of the instruments described in Section 11 below.

3.2 Construction of Improvements. Any balance of the CPP Funds not spent on eligible pre-development costs (funded at construction close) by the commencement of construction of the Improvements may be applied to the costs of construction, provided the CPP Funds are expended by March 31, 2026.

3.3 Development Escrow Account. The CPP Funds earmarked by FDLRC for the development of the Improvements on the Property shall be disbursed by FDLRC directly to an escrow holder (the "**Escrow Agent**") for a construction escrow account held by the construction lender (the "**Development Escrow Account**") for the transaction, along with escrow instructions for the Escrow Agent's proper use of such funds. FDLRC may elect to disburse its funds by check or wire transfer; *provided, however*, if FDLRC elects to provide a check, FDLRC shall deliver the check at least 10 days before the expected close of construction financing.

3.4 Disbursement Contingent on Recording of Documents. FDLRC's escrow instructions shall provide that the Escrow Agent shall not disburse any CPP Funds to the Owner or for its benefit until the escrow agent records the Regulatory Agreement and DDS Deed of Trust described in Section 11 below and delivers the DDS Note in Section 11 below.

3.5 Delivery of Documents to DDS. In the event that EAH Housing or FDLRC receives the original DDS Note, the DDS Deed of Trust and/or the Regulatory Agreement, either party is responsible for timely delivery of these documents to DDS.

4. Applicability of CPP Guidelines. EAH Housing shall at all times comply with the requirements in the CPP Guidelines. If DDS imposes new obligations in revised or amended CPP guidelines that did not appear in the current CPP Guidelines, or that contradict earlier CPP guidelines, or if any inconsistency exists between the terms of this Agreement and the CPP Guidelines, the terms of the CPP Guidelines shall prevail with respect to the Property. Notwithstanding the foregoing, EAH Housing acknowledges and agrees to comply with any reasonable changes or additions to the requirements and obligations in the CPP Guidelines.

5. Term. Subject to the provisions in Section 1 above, the term of this Agreement shall commence on the Effective Date and end on the 15th anniversary of the date the Regulatory Agreement (defined in Section 11.1 below) is filed for record, 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 11.

6. Property Development Implementation Plan. Once DDS issues Funding Approval to FDLRC, EAH Housing will work collaboratively with FDLRC and the Owner to ensure the development of the Improvements on the Property and provide for the occupancy of FDLRC-Restricted Units by Clients, based on the needs identified by FDLRC, and in accordance with an implementation plan for the development of the Property (the “**Implementation Plan**”) submitted to FDLRC for approval prior to the Owner’s commencement of Improvements at the Property. FDLRC will be afforded the opportunity to review the Owner’s Property Management Agreement for the other units in the development. The Implementation Plan will contain all information required by the CPP 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 FDLRC’s receipt of verification that the 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 Guidelines. EAH Housing shall update and revise the Implementation Plan at FDLRC’s request.

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

8. Notices to FDLRC. EAH Housing shall notify FDLRC in writing (1) when the Owner opens the Development Escrow Account for the receipt and disbursement of funds for construction and other development expenses; (2) when final plans for the Improvements have been entitled by the responsible local agency; (3) when a construction contract has been entered

into by the Owner; (4) when a Notice of Completion is recorded for construction; (5) when a certificate of occupancy has been issued by the responsible local agency; and (6) when any construction financing converts to or is replaced by permanent financing. EAH Housing acknowledges that FDLRC requires this information to comply with its quarterly and annual reporting duties to DDS under the CPP Guidelines. Notwithstanding anything herein to the contrary, EAH Housing shall not obligate any funds to the Owner until DDS has given final approval for EAH Housing to be the NPO for this project and has also approved the proposed Implementation Plan for the Property under Section X.B of the CPP Guidelines.

9. Scope of Services. EAH Housing is acting as an independent contractor of FDLRC to pursue the interest of Clients with respect to housing opportunities at the Property. EAH Housing will use its best efforts to monitor the design, financing, development, leasing, and management of the Improvements by the Owner to ensure that FDLRC's goal of providing high-quality, affordable and inclusive housing to Clients is furthered. In addition, separate from this Agreement, FDLRC has approved EAH Housing to provide the following vendorized services to Clients which will enable EAH Housing to protect FDLRC's interest in the FDLRC-Restricted Units over the term of the Agreement: coordinating with FDLRC to maximize the initial marketing of the housing opportunity to Clients; helping Clients participate successfully in the Owner's application process and leasing of the Property; maintaining an active waiting list for the FDLRC-Restricted Units to help Clients continue to apply for FDLRC-Restricted Units that become vacant after the initial leasing of the Property; and providing individual housing retention services to Clients living at the Property to promote their housing stability.

9.1 Occupancy by Clients. EAH Housing shall develop and implement a marketing and outreach plan for the lease-up of the FDLRC-Restricted Units to ensure that the occupancy will meet the needs of the Clients expected to reside there, as specified in their Individual Program Plans and as approved by DDS under the Funding Approval. All Clients ultimately occupying the FDLRC-Restricted Units must be identified within FDLRC's Community Placement Plan. No Clients shall occupy the Improvements at the Property until the Improvements have received a Certificate of Occupancy by the responsible local agency.

9.2 The Leases. Prior to completion of construction of the Improvements, EAH Housing will coordinate with FDLRC to assist Clients in learning of, applying for, and renting the FDLRC-Restricted Units from Owner pursuant to individual leases in each Client's name (each, a "Lease") and will also help Clients participate in the lottery for other units available at the Property. EAH Housing will also provide housing retention services to the Clients who enter into a Lease at the Property to enable them to satisfy all of a tenant's responsibilities and enjoy all of a tenant's rights under the Lease. EAH Housing' housing retention services are in addition to any Supported Living Services or Independent Living Services that Clients living at the Property may require, thereby providing the Owner's property management company a single point of contact with respect to the FDLRC-Restricted Units while providing Clients individualized support for maintaining housing stability that is independent of their choice of direct service providers.

10. Lender's Agreement to Provide Notice and Cure Rights.

10.1 Definitions. A "Lender" means an institutional lender or government agency that makes a Loan to the Owner, the proceeds of which are applied to pay the costs of

demolition, renovation and development of the Property, and such 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 the Owner, secured by the lien of a deed of trust encumbering a Property (the "**Deed of Trust**").

10.2 Financing Responsibility and Agreement to Subordinate. It is EAH Housing's sole responsibility to ensure that the Owner applies for and obtains all Lender financing for development of the Improvements on the Property (including construction financing and permanent financing). FDLRC understands and agrees that it may be required to subordinate the DDS Deed of Trust as a condition of the Owner qualifying for such additional financing. Notwithstanding the foregoing, FDLRC reserves the right to approve the Lender and the terms of each loan; such approval shall not be unreasonably withheld or delayed. EAH Housing is solely responsible for ensuring that the Owner properly administers all construction funds 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.

10.3 Notice and Cure Agreement. Prior to the Owner incurring a Loan secured by a Deed of Trust encumbering the Property, EAH Housing shall cause the Owner to require the Lender to sign, and deliver to FDLRC, an Agreement to Provide Notice and Cure rights (the "**Notice and Cure Agreement**"), unless DDS waives such requirement. The form of the Notice and Cure Agreement shall be the same as the form attached as an exhibit to the CPP Guidelines. The purpose of such document is to insure that the Lender will give FDLRC and DDS adequate notice and the opportunity to cure any default by the Owner under the Loan. The parties agree to modify the form of the Notice and Cure Agreement if so requested by DDS. FDLRC shall submit a signed copy of the Notice and Cure Agreement to DDS within 15 days after the date it is received by FDLRC.

11. Delivery and Recording of DDS Documents. Prior to the disbursement of any CPP Funds, EAH Housing shall cause the Owner to sign and (for the documents in Sections 11.1 and 11.3) notarize and cause to be recorded against the Property, the following documents to evidence the agreement of all the parties that the FDLRC-Restricted Units shall be used and occupied by Clients in accordance with the provisions and restrictions of the CPP Guidelines:

11.1 Regulatory Agreement. The Owner shall execute a Regulatory Agreement in favor of DDS (the "**Regulatory Agreement**"). The purpose of the Regulatory Agreement is to insure that the FDLRC-Restricted Units shall be used and occupied only by Clients in accordance with the provisions and limitations in the CPP Guidelines. The parties agree to execute, and to request Owner to execute, amendments and modifications to the Regulatory Agreement as reasonably requested by DDS.

11.2 DDS Note. The Owner shall execute a Promissory Note in favor of DDS (the "**DDS Note**").

11.3 DDS Deed of Trust. The Owner 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 purpose of such document is to secure the Owner's obligations to DDS, including the obligations under the Regulatory Agreement.

11.4 Contingencies. The forms of the Regulatory Agreement, DDS Note, and DDS Deed of Trust shall be provided by DDS. Owner's review, approval, execution and delivery of the Regulatory Agreement, DDS Note and DDS Deed of Trust is a condition precedent to the validity of this Agreement, for the benefit of both FDLRC and EAH Housing.

11.5 Responsibility of EAH Housing. At all times during the Owner's ownership of the Property, EAH Housing shall monitor and enforce the Owner's compliance with all of the provisions in the Regulatory Agreement, the DDS Note or DDS Deed of Trust and for negotiating any amendments of the DDS documents that may be requested from time to time by DDS.

12. Title Insurance. EAH Housing shall ensure that the Owner shall obtain a lender's policy of title insurance in favor of DDS with respect to the Regulatory Agreement and the DDS Deed of Trust. The cost of the lender's policy may be paid from CPP Funds.

13. Consequence of Breach: Termination of Agreement; Instruments Remain in Effect. The Owner's breach of any Regulatory Agreement, DDS Note or DDS Deed of Trust shall also constitute EAH Housing's breach of this Agreement. The Regulatory Agreement, DDS Note and DDS Deed of Trust shall survive the termination of this Agreement, and shall only be terminated in accordance with their terms.

14. Future Loan Financing or Refinancing: Subordination of Regulatory Agreement and the DDS Deed of Trust. Subject to DDS's consent and approval, if the Owner elects to finance a Loan or refinance an existing Loan, then upon the request of the Lender, FDLRC will execute a DDS-approved customary agreement (the "**Subordination Agreement**") to subordinate FDLRC's interest in the Regulatory Agreement to the lien of the Lender's Loan, as long as FDLRC consents to the terms of the new loan (which consent shall not be unreasonably withheld) and 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 FDLRC and DDS adequate notice and cure rights if the Owner defaults under its Loan. If FDLRC signs the Subordination Agreement, FDLRC will request DDS to also sign the Subordination Agreement and to subordinate its interest in the Deed of Trust to the loan as well, but FDLRC shall not have any liability if DDS fails to do so.

15. EAH Housing's Delivery of Lender's Deed of Trust to FDLRC; Recordation of Request for Notice. Promptly after Lender records its Deed of Trust to secure its Loan for the Property, EAH Housing shall require the Owner to deliver two conformed copies of the Deed of Trust to FDLRC. FDLRC requires a copy of the Deed of Trust so that FDLRC can record Requests for Notice under Civil Code section 2924b in its favor and in favor of DDS. Forms of the Requests for Notice are attached as exhibits to the CPP Guidelines. FDLRC shall deliver a conformed copy of the Deed of Trust and Requests for Notice to DDS.

16. Property Management. At all times during the Owner's ownership of the Property, EAH Housing shall monitor the performance by the Owner, or its property management contractor, of the normal and customary property management duties required for the maintenance and operation of an affordable housing rental property in good condition and repair and shall take appropriate action if the normal and customary property management duties are not being carried out, including the following (1) when a Client vacates a FDLRC-Restricted Unit, handling the

transition between such Client and the next one, (2) ensuring full occupancy of the FDLRC-Restricted Units by qualified tenants; (3) collecting rent and third party rent subsidies and paying all of the normal operating expenses of the FDLRC-Restricted Units; (4) maintaining all required insurance coverages at the FDLRC-Restricted Units; (4) promptly notifying FDLRC in writing if any insurance required to be maintained is about to lapse; (5) periodically inspecting the FDLRC-Restricted Units and all improvements thereon to insure that they are maintained in good working order and condition; (6) engaging qualified contractors or qualified personnel to perform those repair and maintenance duties that are Owner's responsibility; (7) promptly notifying FDLRC of any physical defects, environmental hazards or violations of law discovered at the FDLRC-Restricted Units; and (8) generally taking all actions appropriate to preserve the Improvements on the Property and to protect its value. Neither EAH Housing nor FDLRC nor DDS shall have any responsibility for paying property management or administration fees. If FDLRC determines in its reasonable judgment, that EAH Housing has been ineffective in causing the Owner to improve its property management performance, then FDLRC may notify the Owner of its findings by a written notice thereof. Within fifteen (15) days after receipt by the Owner of such written notice, FDLRC and EAH Housing shall meet with the Owner in good faith to consider methods for improving the Owner's compliance with the requirements of this Section. If, after a reasonable period as determined by FDLRC (but which shall not be less than sixty (60) days following the date of the initial notice described above), FDLRC determines that the Owner is not operating and managing the Property in accordance with the material requirements and standards of this Section, then FDLRC may exercise its rights under Section 27 or Section 28 of this Agreement.

17. Real Property Taxes. EAH Housing shall take all actions necessary to assist the Owner in qualifying for the affordable housing exemption 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. Construction Work.

18.1 Construction of Improvements. Prior to the Owner commencing construction of the Improvements on the Property, EAH Housing shall provide to FDLRC for its prior review and approval, which may not be unreasonably withheld, the deliverables set forth in Section 18.2.

18.2 Deliverables. FDLRC's obligation to disburse any remaining CPP Funds relating to construction of the Improvements on the Property shall be conditioned on the Owner's delivery to FDLRC, and FDLRC's approval of, all of the following: (i) overall construction budget for the Improvements on the Property (including a budget for the construction, a budget for onsite and offsite improvements and a budget for the appliances and fixtures) (ii) construction drawings and specifications for the proposed Improvements; (iii) architect's contract, if applicable; (iv) structural engineer's contract, if applicable; and (v) construction contract between the Owner and its general contractor, including contractor's fixed price or time and materials bid to perform the construction work on the Property. When the construction work is complete, EAH Housing shall ensure that the Owner provides evidence to FDLRC that the applicable jurisdiction has issued a final Certificate of Occupancy or its equivalent for the Property.

18.3 Manner of Construction; Terms of Construction Contract. FDLRC may impose, as a condition of its consent to construction of any and all Improvements, such requirements as FDLRC in its reasonable discretion may deem desirable, including, but not limited to, the requirement that the Owner utilize for such purposes only contractors, subcontractors, materials, mechanics and materialmen mutually approved by the parties. FDLRC shall have the right to review and approve the terms and conditions of the construction contract between the Owner and its general contractor for all Improvements. Further, each 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 each installment payment and final payment and (iii) the Owner 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), FDLRC has completed its final walk through. The Owner shall also include the following statement in each construction contract between the Owner and the general contractor: "*Frank D. Lanterman Regional Center is a third party beneficiary of all of Lexington Gardens Investors, L.P.'s rights under this Agreement.*"

18.4 Construction Insurance. Prior to the commencement of Improvements at the Property, EAH Housing shall provide FDLRC with evidence that the Owner has secured 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 FDLRC) in an amount approved by FDLRC covering the construction of such Improvements, it being understood and agreed that all of such Improvements shall be adequately insured by the Owner immediately upon completion thereof.

18.5 Compliance With Laws. EAH Housing shall be responsible for monitoring the Owner's performance in causing all Improvements to be constructed in a good and workmanlike manner, in conformance with any and all applicable federal, state, county or municipal laws, rules and regulations including complying with prevailing wage labor laws, 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 FDLRC may promulgate from time to time.

18.6 Payment and Performance Bond; Alternative Performance Assurances. FDLRC's disbursement of CPP Funds for construction of the Improvements shall be conditioned on either of the following, at FDLRC's election: (i) Owner's delivery to FDLRC of a Payment and Performance Bond from the Owner's contractor in favor of the Owner, in an amount equal to 100% of the expected costs of construction; or (ii) the Owner's compliance with the "alternative performance assurances" described in Section V(E) of the CPP Guidelines. FDLRC shall request DDS to waive the Payment and Performance Bond requirement. Nothing herein shall be construed to obligate DDS to waive the bond requirement.

18.7 Timely Development. EAH Housing is responsible and accountable for monitoring the Owner's timely planning and construction of the Improvements so that the Property can be occupied by Clients pursuant to the terms of, and by the deadlines contained within, the CPP Guidelines. EAH Housing is responsible for implementing the approved Marketing and

Outreach Plan for the FDLRC-Restricted Units so that they may be occupied by qualified Clients by the time the construction is complete.

18.8 Disbursements; Procedures. FDLRC shall disburse CPP Funds for pre-development and construction expenses in accordance with the procedures in this Agreement.

18.9 Monitoring of Plans and Work. FDLRC may in FDLRC's sole and absolute discretion, monitor the Owner's preparation of the plans and the contractor's performance of the construction work, and EAH Housing shall promptly respond to all inquiries, and cooperate, coordinate, and otherwise comply with FDLRC's requests.

18.10 Monthly Updates. On a monthly basis, if not more, during the construction of the Improvements, and at all times upon FDLRC's request, EAH Housing shall provide FDLRC with an update as to the progress of its work. Updates may include lender construction inspection reports. FDLRC shall report such project updates to DDS on a monthly basis and/or as requested by DDS.

18.11 EAH Housing's Delivery of Proof of Expenditures: EAH Housing's Return of Unused Funds. Upon the Owner's completion of the Improvements at the Property, EAH Housing shall provide to FDLRC invoices and other evidences of the Owner's costs for such work, including evidence of payment to third parties. To the extent funds are deposited in the Development Escrow Account before pre-development and construction costs are incurred, it is possible that funds disbursed by FDLRC may exceed the total amount of funds necessary to complete the construction work. If that occurs, EAH Housing shall negotiate with the Owner for the prompt return of excess funds to FDLRC.

18.12 FDLRC's Option to Deliver CPP 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 FDLRC otherwise reasonably believes that the Owner may be in breach of contract with any third party, then FDLRC may elect to disburse certain CPP Funds directly to such third parties, rather than to the Development Escrow Account.

18.13 Purchased Furniture, Fixtures and Equipment. Any item of furniture, trade fixture, equipment or other personal property costing over \$2,000 that the Owner 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.

18.14 Fire Sprinkler; Rooms. EAH Housing shall insure each of the FDLRC-Restricted Units has (i) an operable automatic fire sprinkler system, approved by the State Fire Marshal or local fire department in compliance with applicable law; and (ii) a private bedroom for each Client.

18.15 Additional Requirements and Agreements. FDLRC reserves the right to require EAH Housing to enter into further agreements with FDLRC to address the costs and procedures relating to construction of the Improvements.

19. Covenant Against Mechanic's Liens. EAH Housing shall monitor and ensure that the Owner 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 the Owner, and shall protect, defend, indemnify and hold FDLRC 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. EAH Housing shall require the Owner to remove any such lien or encumbrance by bond or otherwise within ten business days after notice by FDLRC, and if the Owner shall fail to do so, FDLRC may pay the amount necessary to remove such lien or encumbrance, without being responsible for investigating the validity thereof, and EAH Housing shall require the Owner to reimburse FDLRC for any such payments made on behalf of EAH Housing.

20. Payments of CPP Funds Generally

20.1 Sole Compensation. EAH Housing acknowledges that Owner's sole compensation for executing and complying with the terms in the Regulatory Agreement, DDS Note and DDS Deed of Trust will be receipt of the CPP Funds resulting from DDS's Funding Approval. FDLRC makes no representation or warranty, express or implied, whether DDS will issue a Funding Approval for FDLRC's housing proposal.

20.2 No Developer Fee; Other Fees. EAH Housing waives its right to a Developer Fee under the CPP Guidelines for its services under this Agreement. However, FDLRC agrees that EAH Housing shall have the right to provide vendored individual housing support services to Clients with respect to the housing opportunity created at the Property, including housing access and housing retention services, pursuant to separate Client-specific Purchase of Service authorizations between FDLRC and EAH Housing. Notwithstanding the foregoing, EAH Housing acknowledges and agrees that housing access and housing retention services are voluntary for each Client, and furthermore that EAH Housing's services as a vendored provider of housing support services at the Property may be terminated by FDLRC.

20.3 E-Billing. EAH Housing and Owner shall use electronic billing under DDS's Regional Center e-Billing System Web application for all of Owner's invoices to FDLRC under this Agreement.

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

21. Leases. The parties agree as follows with respect to leasing the FDLRC-Restricted Units:

21.1 Selection of the Tenants. EAH Housing acknowledges that neither it nor the Owner have any right to pre-select the applicants for the FDLRC-Restricted Units. Rather, FDLRC and EAH Housing shall diligently seek and support Clients eligible under FDLRC's Community Placement Plan to apply for the FDLRC-Restricted Units and successfully to complete the Owner's

applicant screening process. The final approval of every Client's application to the Owner for the FDLRC-Restricted Units shall be the sole responsibility of the Owner's property management company, using its tenant selection criteria for the Property as modified by any reasonable accommodations made for an individual tenant's disability.

21.2 The Lease Form. Subject to the provisions in Section 21.3 below, FDLRC waives the right to approve the form of Lease between Owner and Clients. The Owner may use its typical form of lease for affordable housing with the type of financing secured for the Improvements. EAH Housing shall be responsible for educating and informing FDLRC and Clients (both applicants and tenants) of the landlord and tenant rights and responsibilities under the Owner's form of Lease, and for supporting individual Clients to satisfy their tenant responsibilities and enjoy the full benefit of their tenant rights.

21.3 Specific Restrictions on Owner's Leasing of the FDLRC-Restricted Units. EAH Housing shall monitor the Owner's compliance with the following restrictions on the leasing of FDLRC-Restricted Units and immediately notify FDLRC of any actions by the Owner to: (1) lease, sublease or license any rights in the FDLRC-Restricted Units to any party, other than the Clients referred by FDLRC; (2) set the amount of the initial rent or thereafter increase the rent for the FDLRC-Restricted Units in excess of an Affordable Housing Cost (as defined by California Health and Safety Code Section 50052.2(b) for Clients who are Extremely Low-Income and Very Low-Income (as defined by California Health and Safety Code Section 50105); (3) terminate a Client's Lease for any reason other than the Client's breach of the Lease or abandonment of the unit; or (4) unreasonably hinder a service provider in providing services to the Clients residing at the Property.

21.4 Notification of Delinquencies. As soon as EAH Housing becomes aware of any delinquent rent payments under a Client's Lease, or any other monetary or non-monetary default by either party under a Client's Lease, EAH Housing shall promptly notify FDLRC of such fact in writing.

21.5 No Obligation of FDLRC and DDS. Nothing in this Agreement shall be construed as obligating FDLRC or DDS to pay the rent or any other financial obligation owed by a Client under any Lease.

22. Reserve Account. Due to the nature of the Project, FDLRC waives the right to require EAH Housing or Owner to maintain a reserve account in compliance with the CPP Guidelines. However, if Owner maintains a reserve account to comply with the requirements of any third party lender or governmental entity, then at least annually, and more often if requested by FDLRC, EAH Housing shall request the Owner provide a reserve report to FDLRC, as well as any other information requested by FDLRC, so that (i) FDLRC can timely certify to DDS that, to FDLRC'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 Clients living at the Property, or staff or visitors, and (ii) FDLRC can file its annual CPP Housing Report with DDS as required by the CPP Guidelines (the "**Reserve Report**"). The Reserve Report shall (i) estimate the remaining useful life of capital improvements at the Property, (ii) estimate the amount of funds reasonably needed to timely replace such capital improvements,

(iii) state the total amount in the reserve account applicable to the Property and (iv) list all expenditures from the reserve account during the prior 12 month period applicable to the Property.

23. Assignment. EAH Housing shall not assign, transfer or subcontract any of its rights, burdens, duties or obligations under this Agreement without prior written permission of FDLRC, which may be withheld in its sole and arbitrary discretion. If FDLRC consents to an assignment, the assignee shall execute an instrument prepared by FDLRC 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 FDLRC. The transfer of control of the ownership of EAH Housing to any third party (or if EAH Housing creates a single member LLC, the addition or substitution of a member to such LLC) shall constitute an assignment which requires FDLRC's consent hereunder.

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

25. Insurance. EAH Housing 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) and such other coverage that shall be reasonably requested from time to time by FDLRC. In addition, EAH Housing shall monitor and ensure that the Owner purchases and maintains throughout the term of this Agreement (i) property and casualty insurance for the Property, and (ii) commercial and general liability insurance in the amount of not less than \$1,000,000 per claim or \$2,000,000 in the aggregate for the Property, on an occurrence basis, during the period of this Agreement; provided, however, FDLRC 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. 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 "*Frank D. Lanterman Regional Center*" and the "*State of California Department of Developmental Services*" as an additional insured during the term of this Agreement, and EAH Housing shall provide to FDLRC a true and correct copy of the Named Additional Insured Endorsements on the Effective Date. Each policy of insurance providing coverage required hereunder shall provide that it may not be cancelled or materially modified unless FDLRC is provided at least 30 days' prior written notice thereof. EAH Housing shall also provide to FDLRC 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 Deed of Trust regarding insurance, EAH Housing shall ensure that the Owner shall comply with those provisions that most broadly protect FDLRC.

26. EAH Housing's Indemnification of FDLRC. EAH Housing shall indemnify, defend, and hold harmless FDLRC 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 EAH Housing or its employees, agents, consultants or anyone employed by EAH Housing to act on its behalf, (b) claims under workers' compensation laws or other employee benefit laws by EAH Housing' agents or employees, (c) EAH Housing's failure to fulfill its obligations under this Agreement (including the documents incorporated by reference herein) in strict accordance with its terms, including EAH Housing' breach of any representations or covenants given in this Agreement or (d) violation of any local, state, or federal law, regulation or code by EAH Housing or by any of EAH Housing' employees, agents, consultants or subcontractors in connection with the conduct of their activities performed in connection with this Agreement.

26.1 Assumption of Defense. EAH Housing will assume the defense, at its sole expense, and with legal counsel acceptable to FDLRC, of any claims or litigation as to which it has an indemnification obligation hereunder; FDLRC shall cooperate with EAH Housing 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 EAH Housing. If EAH Housing 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 EAH Housing 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 EAH Housing' other indemnity obligations thereunder. EAH Housing shall control the defense and settlement of any claim; provided, however, if EAH Housing 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, FDLRC shall have such control.

26.2 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.

27. Breach; Remedies.

27.1 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).

27.2 If the Complainant is FDLRC, then FDLRC may (1) withhold all or part of the unremitted CPP Funds it may owe under this Agreement or under any other agreement between FDLRC and EAH Housing, until satisfactory corrective measures are taken by EAH Housing; (2) perform the task itself and at EAH Housing's expense and/or (3) terminate this Agreement without further notice if EAH Housing fails to timely cure the violation described in the Notice of Default.

27.3 If the Complainant is EAH Housing, then EAH Housing may terminate this Agreement if FDLRC 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 30 below.

27.4 If (i) EAH Housing fails to perform its obligations to monitor and enforce the Owner's responsibilities for the timely development of the Property, or (ii) after the Improvements are completed, EAH Housing ceases to enforce the conditions for occupancy by Clients (other than as the result of a temporary cessation of use of the housing by Clients due to casualty, or condemnation or lack of Client referrals from FDLRC), then in addition to all of the other remedies available to FDLRC hereunder or otherwise available at law or in equity, FDLRC shall have the right to require immediate repayment of all CPP Funds which FDLRC had previously disbursed relating to such Property. In such event, EAH Housing shall notify the Owner of its obligation to repay all such funds to FDLRC within 30 days following its receipt of a demand therefor from FDLRC.

27.5 Notwithstanding any provisions in this Section 27 to the contrary, if FDLRC has clear and convincing evidence of misconduct by EAH Housing or its agents or employees that results in imminent danger to the health or safety of any Client, FDLRC shall have the right and option to declare that EAH Housing has committed a non-curable default. Circumstances which may constitute imminent danger to Client health and safety include, but are not limited to: physical, emotional, or mental abuse, sexual misconduct, client abandonment or neglect, theft of a Client's money or property, violation of a Client's rights under the law, placing Clients in physical danger, or any other circumstance that may bring potential physical or emotional harm to the Client. If any of the foregoing occur, FDLRC may terminate this Agreement with 5 days written notice to EAH Housing and may negotiate with the Owner for the replacement of EAH Housing as the entity responsible for monitoring the Owner's compliance with the terms and conditions of this agreement, the DDS Deed of Trust, the Regulatory Agreement and other documents that protect FDLRC's interest in the Property.

27.6 A default by EAH Housing under this Agreement shall, at FDLRC's option, constitute a default by EAH Housing under any other agreement between the parties. A default by EAH Housing under any other agreement shall, at FDLRC's option, constitute a default by EAH Housing under this Agreement.

28. Consequences of Termination. Upon the termination of this Agreement as a result of EAH Housing's breach, EAH Housing shall, immediately on request of FDLRC, do all of the following: execute all documents and perform all other acts reasonably requested by FDLRC to insure a smooth transition of all of EAH Housing's rights and responsibilities under this Agreement to the successor organization chosen by FDLRC.

29. Specific Performance. The parties acknowledge that a breach of this Agreement by EAH Housing will result in significant damages to FDLRC, which are impossible or extremely difficult to determine, and that monetary damages would be an inadequate remedy for such breach. Further, EAH Housing's failure to comply with these provisions could jeopardize the health and safety of FDLRC's Clients. As such, the parties agree that FDLRC has the right to specifically enforce EAH Housing' obligations under this Agreement. Thus, FDLRC may obtain a temporary restraining order, preliminary injunctive relief and permanent injunctive relief to require EAH Housing to perform its obligations to FDLRC, including but not limited to its obligation to execute all documents and perform all acts reasonably requested by FDLRC to replace EAH Housing with a successor organization chosen by FDLRC.

30. Limitation on FDLRC's Liability. Notwithstanding any provision to the contrary contained in this Agreement, FDLRC's liability hereunder shall be limited to an amount equal to the lesser of \$100,000 or the aggregate dollar value of all CPP Funds then previously received by EAH Housing under the terms of this Agreement. In addition, and again notwithstanding any provision to the contrary contained in this Agreement, in no event shall FDLRC or any of its partners, sub partners 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, EAH Housing' or Owner'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.

31. EAH Housing's Books, Records and Other Information: Audits.

31.1 Delivery of Documents and Information. Upon FDLRC's request, EAH Housing shall promptly deliver to FDLRC all information and documents relating to EAH Housing, Owner or the Property that FDLRC so requests, including but not limited to EAH Housing' and Owner's organizational documents, IRS approval of EAH Housing's and Owner's 501(c)(3) statuses, 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. Although FDLRC must obtain such information and documents to comply with the CPP Guidelines, FDLRC shall provide such information and documents to FDLRC for the Property on request.

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

31.3 Record Inspection and Audit. FDLRC shall have the right to review and inspect all of EAH Housing's and Owner'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 EAH Housing' and Owner's records pertaining to this Agreement may be made by FDLRC 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. EAH Housing 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. EAH Housing has the right to appeal any findings resulting from an audit. The specific appeal procedure will be communicated to EAH Housing at the time the audit is announced.

31.4 EAH Housing's Reviews and Audits. This Section 31.4 shall only apply if all payments EAH Housing cumulatively receives from FDLRC and other regional centers during EAH Housing's fiscal year (as determined on the commencement date of this Agreement) equals or exceeds \$500,000.

31.4.1 EAH Housing shall, at FDLRC's request and at EAH Housing's cost, cause an independent Certified Public Accountant to annually provide (1) an independent audit of EAH Housing's financial statements (or, if EAH Housing 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 FDLRC.

31.4.2 If EAH Housing engages an independent Certified Public Accountant to review (but not audit) EAH Housing'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).

31.4.3 EAH Housing shall commence the independent audit or review within 120 days after the end of EAH Housing's fiscal year. EAH Housing shall complete the audit or review within nine months after the end of EAH Housing's fiscal year and provide FDLRC with audited financial statements of the borrowing entity within 120 days of the FY end.

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

31.4.5 If FDLRC believes that any issues identified in the Audit Report or Review Report have an impact on services EAH Housing provides to FDLRC's Clients, FDLRC will so notify EAH Housing and provide EAH Housing with 30 days to resolve such issues. EAH Housing's failure to resolve such issues to FDLRC's reasonable satisfaction within such 30-day period shall constitute a material breach of this Agreement. As a result of such uncured breach, FDLRC may, among its other remedies, terminate this Agreement.

32. The Funding Contingency. Notwithstanding anything in this Agreement to the contrary, FDLRC's obligation to remit funds under this Agreement is conditioned on FDLRC'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 FDLRC'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. FDLRC shall therefore have the right and option to terminate this Agreement on 60 days' notice to EAH Housing, 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 FDLRC necessary to retain EAH Housing's services hereunder or (2) FDLRC receives funds from DDS for EAH Housing under this Agreement but FDLRC determines that such funds are inadequate to pay for all of the vendor services and other expenses which FDLRC expects to incur in such fiscal year relating to such Property. If there is a failure of the Funding Contingency, then (1) FDLRC shall have no liability to pay funds to EAH Housing or Owner under this Agreement (other than funds for services previously validly performed by EAH Housing under this Agreement and for which FDLRC 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 FDLRC exercises the Funding Contingency, FDLRC and DDS agree to use best efforts to negotiate a workout for the impacted Property.

33. No Discrimination.

33.1 During the performance of this Agreement, the parties hereto and their subcontractors shall not deny this Agreement's benefits to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, nor shall they discriminate unlawfully against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status. Owner and EAH Housing shall insure that the evaluation and treatment of employees and applicants for employment are free of such discrimination.

33.2 Owner and EAH Housing shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code, § 12900 et seq.), the regulations promulgated thereunder (Cal. Code Regs., Title 2, § 11000 et seq.), the provisions of Article 9.5, Chapter 1, Part 1, Division 3, Title 2 of the Government Code (Gov. Code, §§ 11135-11139.5), and the regulations or standards adopted by the awarding state agency to implement such article.

33.3 Owner and EAH Housing shall permit access by representatives of the Department of Fair Employment and Housing and the awarding state agency upon reasonable notice at any time during the normal business hours, but in no case less than 24 hours' notice, to such of its books, records, accounts, and all other sources of information and its facilities as said Department or Agency shall require to ascertain compliance with this clause.

33.4 Owner and EAH Housing and their subcontractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

33.5 Owner and EAH Housing shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this Agreement.

34. 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, EAH Housing or Owner has access to "protected health information," including but not limited to "individually identifiable health information," they shall be considered a "Business Associate" as those terms are defined in HIPAA. If FDLRC determines that EAH Housing or Owner is a Business Associate, then immediately on request, EAH Housing and Owner shall execute FDLRC's form of Business Associate Agreement.

35. Copyrights And Patents. To the extent any of EAH Housing'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 EAH Housing using funds provided by the State of California. To the extent applicable, Section 14 of Article I of the Regional Center Master Contract between FDLRC and the State of California is incorporated herein by this reference.

36. Cooperation: Adequate Staffing. EAH Housing shall meet as often as FDLRC determines necessary and shall work collaboratively with any FDLRC staff regarding the renovation and development of the Property. EAH Housing agrees to supply staff sufficient in numbers to satisfactorily carry out the terms of this Agreement.

37. Compliance with Law. EAH Housing shall at all times comply with all local, California and Federal statutes, laws, and regulations applicable to EAH Housing, 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.

38. Permits and Licenses. EAH Housing 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.

39. Zero Tolerance Policy For Client Abuse And Neglect. EAH Housing shall ensure all of its employees are fully informed upon hire, and annually thereafter, about FDLRC's Zero Tolerance Policy for Client 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 FDLRC's website at:

[https://lanterman.org/uploads/transparency/Documents%20Channel/Policies/Policy_Regarding_Client_Abuse_\(Zero_Tolerance_Policy\)_Board_Approved_9_25_13.pdf](https://lanterman.org/uploads/transparency/Documents%20Channel/Policies/Policy_Regarding_Client_Abuse_(Zero_Tolerance_Policy)_Board_Approved_9_25_13.pdf)

Any EAH Housing's employee or agent who fails to report Client 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 Client, EAH Housing shall take immediate action to protect the health and safety of the involved Client and all other Clients. EAH Housing shall ensure its staff has knowledge of the signs of Client abuse and neglect, the process for reporting suspected abuse or neglect, and the consequences of failing to follow the law or adhere to FDLRC's Zero Tolerance Policy. EAH Housing's failure to comply with the policy and the abuse/neglect reporting laws is considered a material breach of this Agreement.

40. Drug-Free Workplace. During the term of this Agreement, EAH Housing shall maintain and enforce a drug-free workplace policy. Neither EAH Housing nor its employees shall unlawfully manufacture, distribute, dispense, possess or use "controlled substances" (as defined in 21 U.S.C. Section 812), at any of EAH Housing's facilities or work sites. Violation of this provision shall constitute a material breach of this Agreement.

41. 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.

42. 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.

43. 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. FDLRC and EAH Housing agree that if any part of this Agreement is in conflict with the Regulatory Agreement, the Regulatory Agreement supersedes this Agreement.

44. Amendment. No supplement, modification, understanding, verbal agreement, or amendment of this Agreement shall be binding unless executed in writing by FDLRC and EAH Housing.

45. No Waiver. No waiver by FDLRC of EAH Housing's breach of any provision of this Agreement shall constitute a waiver by FDLRC in the future of the same or any other subsequent breach by EAH Housing. FDLRC'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.

46. 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. 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 FDLRC:

Frank D. Lanterman Regional Center
Attn: Kaye Quintero, Associate Director of
Administrative Services
3303 Wilshire Blvd, Suite 700
Los Angeles, CA 90010

To EAH Housing:

EAH Housing
Attn. Denice Wint, Vice President of Real Estate
Development
18801 Ventura Blvd, Suite 300
Tarzana, CA 91356

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

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

48. No Liability by State of California. Any and all funding from the State of California (the "State") used by FDLRC 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 is subject to termination without further liability if funding is not appropriated for these purposes by the State Legislature; (2) FDLRC does not act as an agent of the State; (3) FDLRC 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.

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

50. 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 Sacramento, California.