



**CITY OF SAN DIEGO
FLAT RATE LEASE**

BETWEEN

**THE CITY OF SAN DIEGO,
a California municipal corporation ("CITY"), as lessor**

AND

**CONNECTIONS HOUSING DOWNTOWN, L.P.,
a California limited partnership ("LESSEE"), as lessee**

**CITY OF SAN DIEGO
FLAT RATE LEASE**

[WORLD TRADE CENTER OFFICE BUILDING]

THIS CITY OF SAN DIEGO FLAT RATE LEASE ("Lease") is made by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), as lessor, and, CONNECTIONS HOUSING DOWNTOWN, L.P., a California limited partnership ("LESSEE"), as lessee, to be effective as of **November 1, 2011** (the "Effective Date"), when signed by the parties and approved by the San Diego City Attorney.

FOR VALUABLE CONSIDERATION, the sufficiency of which is acknowledged, the parties agree as follows:

RECITALS

- A. CITY and THE REDEVELOPMENT AGENCY OF THE CITY OF SAN DIEGO, a public body corporate and politic of the State of California ("Agency"), have entered into that certain REAL ESTATE PURCHASE AND SALE AGREEMENT (the "Agency Purchase Agreement") dated March 1, 2011, relating to the Agency's purchase of that certain real property commonly known as the World Trade Center located at 1250 Sixth Avenue, San Diego, California 92101, consisting of approximately 30,000 square feet of land improved with a 12-story historic office building (the "WTC Office Building") and parking garage.
- B. LESSEE and the Agency are parties to that certain DISPOSITION AND DEVELOPMENT AGREEMENT filed in the Office of the San Diego City Clerk on March 1, 2011, as Document Number D-04642b/R-04642 (the "DDA"). Under the DDA, LESSEE will purchase the WTC Office Building from the Agency after the closing of the sale transaction under the Agency Purchase Agreement (the "Agency Sale Closing").
- C. LESSEE intends to develop the WTC Office Building into a one-stop service center for homeless persons, as more particularly described in the DDA. In addition, LESSEE intends to develop a winter homeless shelter in the WTC Office Building to be available within one year after the Effective Date of this Lease. To meet its development timeline, LESSEE wants to gain possession of the WTC Office Building prior to the Agency Sale Closing to conduct design and preconstruction activities in the WTC Office Building related to the one-stop homeless service center and winter shelter initially as set forth in the attached **Exhibit A: Initial Scope of Allowed Use**, and as may be further allowed only with CITY'S prior written consent (the "Allowed Use"). In no event may the exterior of the WTC Office Building be modified in any way without CITY'S prior written approval.
- D. CITY and LESSEE are parties to that certain CITY OF SAN DIEGO RIGHT OF ENTRY PERMIT dated May 12, 2011 (the "Permit") that allows LESSEE to conduct meetings, investigations, surveys, studies, measurements, and analyses of the World Trade Center. The Permit will be terminated as of the Effective Date and will be of no further force or effect except as to rights and obligations that survive such termination, including without limitation

LESSEE'S responsibility for any and all environmental liability directly or indirectly caused by LESSEE'S acts and omissions related to its occupancy and use of the World Trade Center under the Permit.

- E. The WTC Office Building is known to contain asbestos and lead. Because of the possibility that LESSEE'S activities in the WTC Building pursuant to the Permit and/or the "Premises" (as defined below) pursuant to this Lease could have caused or may cause the release of hazardous substances within the Premises, the parties agree that CITY will have no obligation to accept possession of the Premises upon termination of this Lease unless and until LESSEE has caused the Premises to be in a clean, safe, healthy and sanitary condition, and free of any environmental contamination requiring remediation that was or shall have been caused by LESSEE'S acts and/or omissions during its occupation and use of the WTC Office Building and/or the Premises at any time, and delivers the Premises to CITY suitable for at least the same reuse potential existing on the effective date of the Permit to CITY'S reasonable satisfaction. The parties further agree that this Lease will continue until CITY so accepts such delivery of possession.
- F. This Lease has been granted by CITY to enable LESSEE to perform the Allowed Use and to require LESSEE to be solely responsible for all environmental liability related to its acts and omissions directly and indirectly related to its possession, use and occupancy of the Premises.
- G. The parties intend that the rent accrued under this Lease will not be payable if the Agency Sale Closing occurs. If the Agency Sale Closing fails to occur as provided in the Agency Purchase Agreement, the parties agree that all accrued rent will be paid to CITY and that LESSEE will thereafter pay rent to City monthly, in advance.

TERMS AND CONDITIONS

1. Premises. CITY leases to LESSEE and LESSEE leases from CITY that certain real property located at 1250 Sixth Avenue, San Diego, California 92101 (APNs 534-055-01, 02, and 04; the "Premises," as depicted in **Exhibit B: Premises**, attached hereto) consisting of the WTC Office Building and the land which it occupies, and expressly excluding the attached parking garage.
2. Termination of Permit. Upon the parties' execution and delivery of this Lease, the Permit shall be terminated as of the Effective Date and shall be void and of no further force or effect except as to any monetary obligations, claims, and remedies accrued thereunder, and any rights and obligations that shall survive the termination of the Lease according to its terms or by law, including without limitation LESSEE'S responsibility for any and all environmental liability directly or indirectly caused by LESSEE'S acts and omissions related to its occupancy and use of the World Trade Center under the Permit.
3. Asbestos & Lead Disclosure. Portions of the Premises contain asbestos and lead containing materials. LESSEE shall disclose to all appropriate parties the existence of asbestos and lead

in the Premises. LESSEE acknowledges receipt of notice from CITY of the presence of such asbestos in accordance with Health and Safety Code Section 25915. LESSEE shall disclose to the appropriate parties the existence of asbestos on the Premises, as required by Health and Safety Code Section 25915.

- a. Ceiling Tiles. The basement, third, and fourth floors of the Premises are known to contain asbestos fire-proofing above the ceiling tiles. Ceiling tiles on other floors may also have asbestos above them and should be opened with caution. In addition, one-foot by one-foot, glued-on ceiling tiles in janitorial closets have tested positive for containing asbestos.
 - b. Thermal System Insulation. The thermal system insulation throughout the Premises contains asbestos.
 - c. Sub-Basement Area. A mechanical room in the sub-basement of the Premises contains a mechanical room that is known to contain asbestos fireproofing. The location of the mechanical room is designated as "Restricted Area" in **Exhibit C: Restricted Area**, attached hereto.
 - d. Basement Area. The south basement is possibly contaminated with asbestos and lead. Until an abatement contractor has performed cleaning activities and a third-party consultant has performed visual inspection and passed Transmission Electron Microscopy (TEM) air sampling, CITY recommends that the south-basement area should not be entered.
 - e. Painted Surfaces. All painted surfaces are assumed to contain lead above regulatory thresholds. Any disturbance of such surfaces should be undertaken with extreme caution and in compliance with all applicable laws, rules and regulations.
4. Asbestos & Lead. If LESSEE makes alterations or repairs to the Premises, or otherwise disrupts or disturbs any portion of the Premises, LESSEE shall, at its sole cost and expense, perform all required asbestos and lead removal, management and containment associated therewith. Asbestos and lead removal, management and containment shall be conducted in accordance with all applicable laws and to CITY'S reasonable satisfaction.
5. Allowed Use. LESSEE shall use the Premises solely and exclusively for the Allowed Use, initially as set forth in **Exhibit A: Initial Scope of Allowed Use**, attached hereto, and for no other purpose whatsoever without CITY'S prior written consent.
- a. Building Skin. Notwithstanding any provision of this Lease to the contrary, LESSEE shall not modify the exterior of the WTC Office Building in any way whatsoever without CITY'S prior written approval.
 - b. Work Plans. Prior to delivery of possession of the Premises at Lease termination, LESSEE shall deliver to CITY a reasonably detailed report of each physically invasive

investigation and sampling, each construction, demolition or hazardous substance abatement project, and all other similar work, including without limitation the movement of ceiling tiles, performed on the Premises by LESSEE or at LESSEE'S direction at any time during the term of the Permit and the term of this Lease.

- c. Consultants. LESSEE shall provide a third-party consultant, with appropriate California Asbestos Consultant accreditation and California Lead Inspector/Assessor or Project Monitor accreditation, on site for all abatement and sampling work on the Premises.
6. Ownership of Hazardous Waste. LESSEE shall for all purposes be deemed the owner of all hazardous waste generated by its use of and activities on the Premises, and shall be responsible for the disposal of such waste. LESSEE shall be identified as the "owner" on any hazardous waste manifest related to LESSEE'S use of and activities on the Premises. LESSEE shall, under its own California State Board of Equalization number (or other applicable tax identification number), pay all taxes associated with its disposal of such hazardous waste. LESSEE shall ensure that CITY shall have no liability related to the disposal location being a state and/or federal Superfund site, and shall protect, defend, indemnify and hold CITY harmless against all claims related to any such liability.
7. Political Activities. LESSEE shall not use the Premises to promote, endorse, or campaign for the nomination or election of any individual to any public office, be it partisan or nonpartisan.
8. Operating Expenses and Maintenance Costs. LESSEE shall be fully responsible for all operating expenses, maintenance, repairs and replacements for the entire Premises, without limitation.
9. Utilities. LESSEE shall order, obtain, and pay for all utilities and service and installation charges in connection with its use and operation of the Premises.
10. Quiet Possession. LESSEE, performing the covenants and agreements in this Lease, shall at all times during the term of this Lease peaceably and quietly have, hold, and enjoy the Premises. If LESSEE is temporarily dispossessed through action or claim of a title superior to CITY'S, LESSEE may terminate this Lease as provided herein below, and CITY shall not be liable to LESSEE for any resulting loss or damages.
11. Reservation of Rights.
 - a. Mineral Rights. CITY reserves all rights, title, and interest in and to any and all subsurface natural gas, oil, minerals, and water on or within the Premises.
 - b. Easements. CITY reserves the right to grant, establish, and use easements and rights-of-way over, under, along, and across the Premises for utilities, thoroughfares, or access as it deems advisable for the public good.

- c. Repairs. CITY may at all reasonable times enter the Premises for the purpose of making repairs to or developing municipal resources and services.
 - d. Noninterference. CITY shall not substantially unreasonably interfere with LESSEE'S use of the Premises, and shall repair or reimburse LESSEE for reasonable costs incurred by LESSEE to repair any physical damages to Premises or LESSEE'S personal property directly caused by CITY'S exercising of its rights reserved in this section. CITY shall pay the costs of maintenance and repair of all CITY installations made pursuant to these reserved rights.
12. CITY'S Consent, Discretion. Whenever required or permitted under this Lease, CITY'S consent or approval shall mean the written consent or approval of the Mayor of San Diego, or his or her designee ("Mayor"), unless otherwise expressly provided. CITY'S discretionary acts hereunder shall be made in the Mayor's discretion, unless otherwise expressly provided.
13. Term. The term of this Lease ("Term") shall be month-to-month, commencing on the Effective Date, and terminable by either party upon thirty (30) days prior written notice AND ONLY upon CITY'S acceptance of the Premises in a clean, safe, healthy and sanitary condition, normal wear and tear excepted, to CITY'S reasonable satisfaction, and free of any environmental contamination requiring remediation that was or shall have been caused by LESSEE'S acts and/or omissions during its occupation and use of the WTC Office Building under the Permit and/or the Premises under this Lease, and delivered to CITY suitable for at least the same reuse potential existing on the effective date of the Permit, which CITY may require to be certified by either (at CITY'S option and at LESSEE'S sole cost and expense) a qualified CITY employee or a qualified independent, third-party consultant.
- a. In no event shall the Term exceed three (3) years.
 - b. CITY shall not be obligated for any loss, financial or otherwise, which may be incurred by LESSEE as a result of CITY'S termination of this Lease. LESSEE expressly waives any claim for expense or loss which LESSEE might incur as a result of CITY'S termination of this Lease.
 - c. This Lease shall automatically terminate upon LESSEE'S acquisition of title to the Premises or the WTC Building.
 - d. Surrender of Premises. Upon the termination of this Lease, and subject to the terms and conditions of this Lease, LESSEE shall vacate the Premises and surrender them to CITY.
 - e. Quitclaim Deed. At any time after the termination of this Lease, LESSEE shall execute, acknowledge, and deliver to CITY, within thirty (30) days after CITY'S request, a valid and recordable quitclaim deed covering all of the Premises, but only if the Premises have not been acquired by LESSEE. If LESSEE fails or refuses to deliver the required quitclaim deed, CITY may prepare and record a notice reciting LESSEE'S failure to perform this Lease provision, and the notice shall be deemed conclusive evidence of the

termination of this Lease and all of LESSEE'S rights in and to the Premises.

14. LESSEE'S Acceptance of Premises. LESSEE hereby accepts possession of the Premises "as is." CITY has not made and makes no representation or warranty as to the condition or suitability of the Premises for LESSEE'S intended use, and assumes no obligation to alter or improve the Premises. LESSEE has relied solely on its own independent investigations of the condition and suitability of the Premises, and is satisfied with the condition thereof, including but not limited to electrical and fire sprinkler systems, security, asbestos, lead, air quality, and other environmental aspects, seismic and earthquake requirements, and compliance with the Americans with Disabilities Act and applicable zoning, municipal, county, state and federal laws, ordinances and regulations, and any covenants or restrictions of record. LESSEE shall maintain the Premises in good repair, and in a decent, safe, healthy and sanitary condition. LESSEE shall not make any alterations or additions to the Premises without CITY'S prior written consent.
15. Rent. Rent in the amount of Sixty Thousand Dollars (\$60,000) per month shall be accrued during the Term and shall be payable to CITY by LESSEE ONLY IF the Agency Sale Closing fails to occur as provided in the Agency Purchase Agreement. If the Agency Sale Closing fails to occur as provided in the Agency Purchase Agreement, LESSEE shall pay to CITY all accrued but unpaid rent on the first day of the month following such failure, together with rent in advance for that month. Thereafter, LESSEE shall pay rent monthly, in advance on the first day of each month during the Term.
16. Place of Payment. All amounts payable to CITY under this Lease shall be made payable to "City Treasurer" and delivered to the Office of the City Treasurer, Civic Center Plaza Building, 1200 Third Avenue, First Floor, San Diego, California 92101, or mailed with an invoice to:

THE CITY OF SAN DIEGO
Office of the City Treasurer
P.O. Box 122289
San Diego, CA 92112-4165
17. Delinquent Payments. Amounts due CITY under this Lease and not paid when due will be referred to the San Diego City Treasurer for collection, and LESSEE shall pay to CITY a collection-referral fee in the amount of ten percent (10%) of the unpaid amount or Twenty-Five Dollars (\$25), whichever is greater, plus interest on the unpaid amount at the rate of twelve percent (12%) per year. Acceptance of late charges and any portion of the late payment by CITY shall neither constitute a waiver of LESSEE'S default with respect to late payment nor prevent CITY from exercising any other rights and remedies available at law or in equity. As required by law, LESSEE is hereby notified that a negative credit report may be submitted to a credit reporting agency if amounts due CITY are not paid when due.
18. Unauthorized Use Charge. LESSEE shall pay CITY one hundred (100%) of the gross receipts from any use of the Premises that is not allowed by this Lease and of which CITY

had no prior knowledge, regardless of any related penalties charged LESSEE by competent governmental authorities. Such unauthorized use charge shall not be accrued but shall be payable to CITY within thirty (30) days after LESSEE receives such gross receipts. The unauthorized use charge shall be considered "rent" under this Lease. The existence of such unauthorized use charge and CITY'S acceptance thereof shall not constitute authorization for the use in question, and shall not waive any of CITY'S rights under this Lease.

19. Holdover. Any holding over by LESSEE after the termination of this Lease shall be on a month-to-month basis, shall not be construed as a renewal or extension of this Lease, and all other terms and conditions of this Lease shall continue in full force and effect. CITY may then increase the rent to the then-current fair market value and may terminate the holdover tenancy at will upon three (3) days notice to quit the Premises.
20. Keys. If not already provided, upon execution and delivery of this Lease CITY shall deliver to LESSEE all keys to the Premises. Keys shall not be duplicated except by CITY at LESSEE'S sole cost. LESSEE shall pay to CITY ten dollars (\$10) per key duplicated. LESSEE assumes the risk of lost keys. LESSEE shall pay all costs necessitated by a loss of any key to the Premises, including without limitation changing locks. Keys must be returned to CITY upon CITY'S acceptance of possession of the Premises at the termination of this Lease.
21. Signs. LESSEE shall not erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising without CITY'S prior written consent.
22. Entry and Inspection. CITY reserves and shall always have the right, but not the obligation, to enter the Premises with reasonable notice to LESSEE for the purpose of viewing and ascertaining the condition of the Premises, to protect its interests in the Premises, or to inspect the operations conducted on the Premises.
23. Improvements/Alterations. Except for Allowed Uses, no improvements, structures, or installations shall be constructed on the Premises, and the Premises may not be altered by LESSEE without CITY'S prior written approval. LESSEE shall not make any major structural or architectural design alterations to approved improvements, structures, or installations on the Premises without CITY'S prior written approval. This provision shall not relieve LESSEE of any obligation under this Lease to maintain the Premises in a decent, safe, healthy, and sanitary condition, including structural repair and restoration of damages to improvements caused by LESSEE'S occupancy or use of the WTC Office Building during the term of the Permit or the Premises during the Term of this Lease. CITY shall not be obligated by this Lease to make or assume any expense for any improvements or alterations.
24. Indemnification. LESSEE shall protect, defend, indemnify, and hold CITY and its elected officials, officers, employees, representatives, and agents harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to LESSEE'S officers, employees, invitees, guests, agents, or contractors,

which arise out of or are in any manner directly or indirectly connected with this Lease or LESSEE'S possession, occupancy, use, development, maintenance, or restoration of the Premises, and all expenses of investigating and defending against same, including without limitation attorneys' fees and costs; provided, however, that LESSEE'S duty to indemnify and hold harmless shall not include any claims or liability arising from the sole negligence, recklessness, or intentional misconduct of CITY or its elected officials, officers, employees, representatives, and agents. This indemnity obligation shall survive the termination of this Lease.

25. **Insurance.** LESSEE shall deliver to CITY'S Real Estate Assets Department a current certificate of insurance for:

- (1) Commercial General Liability Insurance, providing coverage for bodily injury, including death, personal injury, and property damage with limits of at least Two Million Dollars (\$2,000,000) per occurrence, subject to an annual aggregate of at least Two Million Dollars (\$2,000,000);
- (2) Hazardous Substances Liability Insurance, specifically including coverage for asbestos and/or lead pollution, the form and limits of which must be reasonably acceptable to CITY;
- (3) For Allowed Uses involving any contact with hazardous substances, the insurance coverage specified in that certain "Standard Specifications for Public Works Construction (The WHITEBOOK, 2010 Edition)," and subject to all related terms and conditions therein related to LESSEE'S use of the Premises, without any asbestos exclusions;
- (4) Automobile Liability Insurance, if applicable, providing coverage for all bodily injury and property damage, with a limit of at least One Million Dollars (\$1,000,000) per occurrence. Such insurance shall cover liability arising out of any vehicle (including owned, hired, and non-owned vehicles) operated in performing any and all work pursuant to this Lease. Coverage shall be written on *ISO form CA 00 01 12 90*, or a substitute form providing equivalent liability coverage; and
- (5) Workers' Compensation Insurance, as required by the laws of the State of California for all of LESSEE'S employees, if any, who are subject to this Lease, with Employers' Liability coverage with a limit of at least One Million Dollars (\$1,000,000).
 - a. **Additional Insureds.** Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], "The City of San Diego, its elected officials, officers, employees, representatives, and agents" shall be named as additional insureds in all policies.
 - b. **Primary & Non-Contributory.** Insurance policies shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by CITY.

- c. Qualified Insurer(s). All insurance required by the terms of this Lease must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to CITY. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet CITY requirements.
 - d. Deductibles/Retentions. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of LESSEE and must be disclosed and acceptable to CITY at the time evidence of insurance is provided.
 - e. Continuity of Coverage. All policies shall be in effect on or before the first day of the Term, except "course of construction fire insurance" shall be in force on commencement of all authorized construction, and full applicable fire insurance coverage shall be effective upon completion of each insurable improvement. The policies shall be kept in force for the duration of the Term. At least thirty (30) days prior to the expiration of each insurance policy, LESSEE shall furnish a certificate(s) showing that a new or extended policy has been obtained which meets the requirements of this Lease. LESSEE shall provide proof of continuing insurance at least annually during the Term. If insurance lapses or is discontinued for any reason, LESSEE shall immediately notify CITY and obtain replacement insurance as soon as possible.
 - f. Modification. To assure protection from and against the kind and extent of risk existing with the Premises or LESSEE'S use thereof, CITY, in its reasonable discretion, may require the revision of amounts and coverage at any time during the Term by giving LESSEE thirty (30) days prior written notice. LESSEE shall also obtain any additional insurance required by CITY for new improvements, changed circumstances, or CITY'S reasonable re-evaluation of risk levels related to the Premises or LESSEE'S use thereof.
 - g. Accident Reports. LESSEE shall immediately report to CITY any accident causing property damage or injury to persons and related to the Premises or LESSEE'S use thereof. Such report shall contain the names and addresses of the involved parties, a statement of the circumstances, the date and hour of the accident, the names and addresses of any witnesses, and other pertinent information.
26. Hazardous Substances. LESSEE shall not allow the illegal installation, storage, utilization, generation, sale or release of hazardous or otherwise regulated substances in, on, under, or from the Premises. LESSEE and LESSEE'S agents and contractors shall not install, store, utilize, generate, or sell any hazardous substance on the Premises without CITY'S prior written consent. LESSEE shall, prior to initiating any operations, obtain all required Leases from applicable regulatory agencies, including without limitation the San Diego County Department of Environmental Health, local fire agencies, the San Diego County Department of Weights and Measures, the San Diego County Air Pollution Control District, and the San Diego Regional Water Quality Control Board. Installing, utilizing, storing, or any other presence of a hazardous substance includes boxes, bags, bottles, drums, cylinders, above or

below ground tanks, equipment with tanks, or any other type of container, equipment, or device which holds or incorporates a hazardous substance or hazardous waste.

- a. Release. For the purposes of this provision, a release shall include without limitation any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or otherwise disposing of hazardous substances. "Hazardous substances" shall mean any hazardous liquid, solid, or gaseous material substances listed by the Environmental Protection Agency or the State of California as a hazardous substance, and any type of petroleum-related substances and their chemical constituents.
- b. Remediation. If LESSEE'S occupancy, use, development, maintenance, or restoration of the Premises results in a release of a hazardous substance, or petroleum related substance or its chemical constituents, LESSEE shall pay all costs of remediation and removal to the CITY'S satisfaction to at least the same reuse potential existing on the effective date of the Permit, and in accordance with all applicable laws, rules, and regulations of governmental authorities.
- c. Removal. If LESSEE or LESSEE'S contractor or agent has received approval and Leases to store, utilize, generate, or install, or otherwise bring hazardous materials or hazardous wastes to the Premises, LESSEE and/or LESSEE'S contractor or agent shall remove all hazardous substances and hazardous wastes in any type of container, equipment, or device from the Premises immediately upon or prior to the termination of this Lease. CITY reserves the right to conduct inspections of the Premises and/or request documentation demonstrating the legal removal and/or disposal of the hazardous materials, wastes or other containers, equipment, or devices from the Premises. LESSEE shall be responsible for any and all costs incurred by CITY to remove any container, equipment, or device requiring disposal or removal as required by this provision.
- d. Indemnity. LESSEE shall protect, defend, indemnify, and hold CITY harmless from any and all claims, costs, and expenses related to environmental liabilities resulting from LESSEE'S acts and/or omissions related to its occupancy, use, development, maintenance, or restoration of the Premises, including without limitation: (i) costs of environmental assessments; (ii) costs of regulatory remediation oversight; (iii) costs of remediation and removal; (iv) any necessary response costs; (v) all fines, penalties, or fees assessed by any regulatory agency; (vi) damages for injury to natural resources, LESSEE'S officers, employees, invitees, guests, agents, or contractors, or the public; and (vii) all costs of any health assessments or health effect studies. CITY shall protect, defend, indemnify, and hold LESSEE harmless from any and all claims, costs, and expenses related to environmental liabilities arising solely from conditions existing, or acts or omissions occurring, prior to LESSEE'S occupancy of the Premises.
- e. Notice of Release. If LESSEE knows or has reasonable cause to believe that a hazardous substance or petroleum related substance or its chemical constituents has been released on, from, or beneath the Premises, except for planned and controlled releases of asbestos and/or lead paint during LESSEE'S performance of Allowed Uses, LESSEE shall

immediately notify CITY and any appropriate regulatory or reporting agency per California Administrative Code Title 19 and any other applicable laws or regulations. LESSEE shall deliver a written report thereof to CITY within three (3) days after receipt of the knowledge or cause for belief and submit any required written reports to regulatory or reporting agencies as required by regulation or law. If LESSEE knows or has reasonable cause to believe that such substance is an imminent release or is an imminent substantial danger to public health and safety, LESSEE shall take all actions necessary to alleviate the danger. LESSEE shall immediately notify CITY in writing of any violation, notice to comply, or notice of violation received or the initiation of environmental actions or private suits related to the Premises.

- f. Environmental Assessment. Upon reasonable cause to believe that LESSEE'S occupancy, use, development, maintenance, or restoration of the Premises ("LESSEE'S Operations"), resulted in any hazardous substance being released on, from or beneath the Premises, except for planned and controlled releases of asbestos and/or lead paint during LESSEE'S performance of Allowed Uses, CITY may cause an environmental assessment under regulatory oversight of the suspect area to be performed by a professional environmental consultant registered with the State of California as a Professional Engineer, Certified Engineering Geologist, or Registered Civil Engineer. The environmental assessment shall be obtained at LESSEE'S sole cost and expense, and shall establish what, if any, hazardous substances have more likely than not been caused by LESSEE'S Operations on, in, from or under the Premises, and in what quantities. If any such hazardous substances exist in quantities greater than allowed by city, county, state, or federal laws, statutes, ordinances, or regulations, or require future restricted re-use of the Premises, then the environmental assessment shall include a discussion of such substances with recommendations for remediation and removal necessary to effect unrestricted re-use and in compliance with those laws or statutes, and estimates of the cost of such remediation or removal. LESSEE shall cause, or if LESSEE fails to do so within a reasonable period of time, as determined by CITY in its sole discretion, CITY may cause the remediation and/or removal recommended in the environmental assessment such that unrestricted re-use of the Premises and compliance with environmental law and regulations are achieved, and LESSEE shall pay all costs and expenses therefor.
27. Assignment and Subletting. LESSEE shall not assign this Lease or any interest in this Lease, and shall not sublet the Premises or any part of the Premises, or any right or privilege appurtenant to the Premises, or allow any other person, except employees, agents, and guests of LESSEE, to use or occupy the Premises or any part of the Premises, without CITY'S prior written consent, in each instance. CITY'S consent to any assignment, subletting, occupation, or use by any other person shall not be deemed to be consent to any subsequent assignment, subletting, occupation, or use by another person. Any assignment or subletting without CITY'S consent shall be void and shall, at CITY'S option, terminate this Lease. This Lease shall not, nor shall any interest in this Lease, be assignable as to the interest of LESSEE by operation of law, without CITY'S written consent. For the purposes of this section "assignment" shall include the transfer of any ownership interest in this Lease by LESSEE or

by any partners, principals, or stockholders of LESSEE, as the case may be, from the original LESSEE.

28. Compliance with Law. LESSEE shall at all times in the construction, maintenance, occupancy, and operation of the Premises comply with all applicable laws, rules, and regulations, and direction by competent authority at LESSEE'S sole cost and expense. If the Lease Term exceeds twelve (12) months, then at least annually LESSEE shall deliver to City copies of all documentary evidence of such compliance received by or otherwise available to LESSEE (e.g., validation of periodic inspection of LESSEE'S fire-suppression equipment in the Premises).
29. Equal Benefits. If applicable, LESSEE shall comply with San Diego Municipal Code sections 22.4301-22.4308, which require lessees of City-owned property to offer the same employment benefits to employees with spouses and employees with domestic partners. LESSEE shall certify that it will maintain such equal benefits throughout the term of this Lease. LESSEE'S failure to maintain equal benefits shall be a default of this Lease.
30. Water Quality Assurances. LESSEE shall comply with San Diego Municipal Code Article 3, Division 3: Stormwater Management and Discharge Control (the "Stormwater Code"), and employ "Best Management Practices."
31. Nondiscrimination. LESSEE shall not discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or physical disability in LESSEE'S use of the Premises, including without limitation the provision of goods, services, facilities, privileges, advantages, and accommodations, and the hiring and retention of employees and contractors.
32. Disabled Access Compliance. LESSEE shall comply with Title 24 of the California Code of Regulations (i.e., the "Building Code", as defined in Title 24 of the California Health and Safety Code), the Americans with Disabilities Act of 1990 ("ADA"); and any other applicable state and federal laws and regulations enacted protecting the rights of people with disabilities, if applicable. The parties recognize that during the Lease Term the Premises will not be open for public use and the activities undertaken by LESSEE at the Premises shall be limited to the Allowed Use. LESSEE and each of its sublessees, if any, shall be individually responsible for their own ADA compliance program. LESSEE'S failure to comply with the above requirements and/or submitting false information in response to those requirements shall be a default under this Lease.
33. Taxes. LESSEE acknowledges that this Lease may create a possessory interest subject to property taxation, and that LESSEE may be subject to the payment of taxes levied on that interest. LESSEE shall pay all such possessory interest taxes. LESSEE'S payment for such taxes, fees, and assessments shall not reduce any payment due CITY.
34. Ownership of Improvements; Removal of Improvements and Personal Property.

- a. Improvements. LESSEE shall own all improvements, fixtures, structures, and installations or additions to the Premises constructed or installed on the Premises by LESSEE. Upon termination of this Lease, all such improvements, fixtures, structures, and installations or additions shall be deemed a part of the Premises and owned by CITY. Notwithstanding the foregoing, CITY may, upon notice to LESSEE at Lease termination, elect to have part or all of such improvements, fixtures, structures, and installations or additions removed by LESSEE at the end of the Term. In that case, LESSEE shall, at LESSEE'S sole cost and expense, remove those items designated for removal in CITY'S notice and restore the Premises to CITY'S reasonable satisfaction as soon as practicable, but in no event later than sixty (60) days after the termination of this Lease. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage resulting from the removal of such items. If LESSEE fails to remove the items as required herein, CITY may, at its option, remove them at LESSEE'S sole cost and expense.
 - b. Personal Property. LESSEE shall remove LESSEE-owned machines, appliances, equipment, trade fixtures, and other items of personal property as soon as practicable after termination, but in no event later than thirty (30) days after the termination of this Lease. Any such items which LESSEE fails to so remove shall be deemed abandoned and become CITY'S property free of all claims and liens, or CITY may, at its option, remove such items at LESSEE'S sole cost and expense. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage resulting from the removal of its personal property from the Premises.
 - c. Late Removal. Notwithstanding any provision of this Lease to the contrary, LESSEE shall pay rent to CITY for any period of time after the termination of this Lease needed to remove improvements or personal property as required by this Lease, whether by CITY or LESSEE. Such rent shall be calculated on a per diem basis using the then-current fair market rental rate as determined by an appraisal prepared by competent CITY staff.
 - d. CITY'S Right to Acquire Personal Property. If LESSEE wants to dispose of any of its personal property used in its operations on the Premises upon the termination of this Lease, CITY shall have the first right to acquire such personal property.
35. Unavoidable Delay. If the performance of an act required by this Lease is directly prevented or delayed by a cause beyond the reasonable control of the party required to perform the act, that party shall be excused from performing the act for a period equal to the period of the prevention or delay. This provision shall not apply to obligations to pay rent. The party claiming a delay shall notify the other party in writing within ten (10) days after the beginning of any claimed delay.
36. Default and Remedies.
- a. Default. LESSEE shall be in default of this Lease if any of the following occurs:

- i. LESSEE fails to make any payment required under this Lease when due;
 - ii. LESSEE breaches any of its obligations under this Lease, other than those requiring payment to CITY, and fails to cure the breach within thirty (30) days following written notice thereof from CITY, or if not curable within thirty (30) days, fails to commence to cure the breach within thirty (30) days and diligently pursue the cure to completion;
 - iii. LESSEE voluntarily files or involuntarily has filed against it any petition under any bankruptcy or insolvency act or law;
 - iv. LESSEE is adjudicated a bankrupt; or
 - v. LESSEE makes a general assignment for the benefit of creditors.
- b. Remedies. Upon LESSEE'S default, CITY may, at its option, give LESSEE, or any person claiming rights through LESSEE, a written Three Day Notice to Pay or Quit, or CITY may terminate the Lease and all rights of LESSEE, and all persons claiming rights through LESSEE, to the Premises or to possession of the Premises. Upon termination, CITY may enter and take possession of the Premises, and may recover from LESSEE the sum of:
- i. the worth at the time of award of any unpaid rent that was due at the time of termination;
 - ii. the worth at the time of award of the amount by which the unpaid rent that would have been earned after termination until the time of award exceeds the amount of rental loss, if any, that LESSEE affirmatively proves could have been reasonably avoided;
 - iii. the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss, if any, that LESSEE affirmatively proves could be reasonably avoided;
 - iv. any other amount necessary to compensate CITY for all the detriment proximately caused by LESSEE'S breach and default, or that in the ordinary course of things, would be likely to result; and
 - v. all other amounts in addition to or in lieu of those previously stated as may be permitted from time to time by California law.

As used in clauses b(i) and b(ii), above, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in clause b(iii), above, the "worth at the time of award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus two

percent (2%). As used in this section, the term "rent" shall include rent and any other amounts payable by LESSEE under this Lease.

- c. Default if Leasehold is Encumbered. If there is a CITY-approved deed of trust or mortgage on the leasehold interest, CITY shall give the mortgagee or beneficiary written notice of LESSEE'S default under this Lease, and the same mortgagee or beneficiary shall have thirty (30) days from the notice to cure the default, or, if the default is not curable within thirty (30) days, to commence to cure the default and diligently pursue the cure to completion. CITY may extend the cure period if the mortgagee or beneficiary uses reasonable diligence to pursue a cure. If the mortgagee or beneficiary chooses to cure the default through litigation or foreclosure, then CITY may exercise any of the following options:
- i. CITY may correct the default and charge the costs to the account of LESSEE, which charge shall be due and payable on the date that the rent is next due after CITY'S notice of such costs to LESSEE, and mortgagee or beneficiary;
 - ii. CITY may correct the default and pay the costs from the proceeds of any insurance fund held by CITY, CITY and LESSEE, or by CITY and mortgagee or beneficiary, or CITY may use the funds of any faithful performance or cash bond on deposit with CITY, or CITY may call on the bonding agent to correct the default or to pay the costs of correction performed by or at the direction of CITY; and
 - iii. CITY may terminate this Lease as to the rights of LESSEE by assuming or causing the assumption of liability for any trust deed or mortgage. LESSEE shall assume and pay any and all penalties or bonuses required by the beneficiaries, trustees or mortgagees as a condition of early payoff of the related obligations by CITY. CITY may, as an alternative, substitute the terminated LESSEE with a new lessee reasonably satisfactory to the mortgagee or beneficiary. LESSEE shall pay to CITY all reasonable costs incurred by CITY in re-leasing to a new lessee.

If the default is noncurable by LESSEE, then any lender holding a beneficial interest in the Premises, whose qualifications as an assignee have been approved by CITY, shall have the absolute right to substitute itself to the estate of LESSEE hereunder and to commence performance of this Lease. If the mortgagee or beneficiary gives notice in writing of its election to substitute itself within the thirty (30) day period after receiving CITY'S written notice of a default, and the default, if curable, is cured by the mortgagee or beneficiary, then this Lease will not terminate pursuant to the default. In that event, CITY consents to the substitution and authorizes the mortgagee or beneficiary to perform under this Lease with all the rights, privileges, and obligations of LESSEE, subject to the curing of the default, if possible, by mortgagee or beneficiary. In that event, LESSEE shall assign to mortgagee or beneficiary all of its interest in and to the leasehold estate under this Lease.

- d. Abandonment by LESSEE. If LESSEE breaches the terms and conditions of this Lease related to Lease termination and abandons the Premises, this Lease shall continue in effect as long as CITY does not terminate this Lease, and CITY may enforce all of its rights and remedies under this Lease, including but not limited to the right to recover the rent as it becomes due, plus damages.
- e. Waiver. Any waiver by CITY of a breach or default by LESSEE shall not be a waiver of any other breach or default. No waiver shall be valid and binding unless in writing and executed by CITY. CITY'S delay or failure to enforce a right or remedy shall not be a waiver of that or any other right or remedy under this Lease. The enforcement of a particular right or remedy for a breach or default shall not waive any other right or remedy for the same breach or default, or for any other or later breach or default. CITY'S acceptance of any rents shall not be a waiver of any default preceding such payment. LESSEE acknowledges that the Premises are a part of CITY-owned property held in trust for the benefit of the citizens of the City of San Diego, and that any failure by CITY to discover a breach or default, or take prompt action to require the cure of any breach or default, shall not result in an equitable estoppel, but CITY shall at all times, have the legal right to require the cure of any breach or default. CITY'S acceptance of a partial payment of rent shall not constitute a waiver of the balance of the rent payment due.
37. Notices. Any notice required or permitted to be given under this Lease shall be in writing and may be served personally or by United States mail, postage prepaid, and addressed, respectively, as follows:

THE CITY OF SAN DIEGO
Attn: Real Estate Assets Department
1200 Third Avenue, Suite 1700
M. S. 51A
San Diego, CA 92101

With a copy by First Class Mail to: SAN DIEGO CITY ATTORNEY
Attn: Real Property Section
1200 Third Avenue, Suite 1100
San Diego, California 92101

CONNECTIONS HOUSING DOWNTOWN, L.P.
Attn: James Silverwood
13520m Evening Creek Drive North, Suite 160
San Diego, CA 92128
(858) 679-2828 Fax: (858) 679-9076

With a copy by First Class Mail to: PATH Ventures
Attn: John Molloy
340 N. Madison Avenue
Los Angeles, CA 90004

Any party entitled or required to receive notice under this Lease may by like notice designate a different address to which notices shall be sent.

38. Partial Invalidity. If any term, covenant, condition, or provision of this Lease is found invalid, void, or unenforceable by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.
39. Number and Gender. Words of any gender used in this Lease shall include any other gender, and words in the singular number shall include the plural, when the tense requires.
40. Captions. The section headings and captions for various articles and paragraphs shall not be held to define, limit, augment, or describe the scope, content, or intent of any or all parts of this Lease. The numbers of the paragraphs and pages of this Lease may not be consecutive. The lack of consecutive numbers shall have no effect on the enforceability of this Lease.
41. Lease Modifications. Any modification, alteration, or amendment of this Lease shall be in writing and signed by all the parties hereto.
42. Time is of the Essence. Time is of the essence to the performance of this Lease.
43. Survival. Any right or obligation which accrues under this Lease prior to its termination shall survive the termination of this Lease.
44. Cumulative Remedies. CITY'S rights and remedies under this Lease are cumulative and shall not limit or otherwise waive or deny any of CITY'S rights or remedies at law or in equity.
45. No Affiliation. Nothing contained in this Lease shall be deemed or construed to create a partnership, joint venture or other affiliation between CITY and LESSEE or between CITY and any other entity or party, or cause CITY to be responsible in any way for the debts or obligations of LESSEE or any other party or entity.
46. Governance. This Lease shall be governed, construed, and enforced in accordance with the laws of the State of California.
47. Counterparts. This Lease may be executed in any number of counterparts, each of which when executed shall be deemed an original, but all of which together shall constitute one and the same instrument.
48. Successors and Assigns. Except as otherwise provided in this Lease, all of the terms, covenants, and conditions of this Lease shall apply to, benefit, and jointly and severally bind the successors and assigns of the respective parties.

49. Attorney Fees. If any party brings an action or proceeding against another party under this Lease, the prevailing party shall be entitled to recover from the non-prevailing party reasonable attorneys' fees and costs therefor. If, as a result of an action brought by or against LESSEE relating to LESSEE'S leasehold or otherwise in connection with this Lease, and CITY intervenes therein, becomes a party, or is made a party thereto, LESSEE shall pay all of CITY'S expenses thereof, including without limitation costs and attorneys' fees.
50. Entire Understanding. This Lease contains the entire understanding of the parties. There is no other written or oral understanding between the parties with respect to this Lease or the Premises. Each party has relied solely on its own examination of the Premises and advice from its own attorneys and experts in entering into this Lease. No other party, agent, or attorney of any other party has made any promise, representation, or warranty whatsoever which is not contained in this Lease. No modification, amendment, or alteration of this Lease shall be valid unless it is in writing and signed by all parties. LESSEE shall pay to CITY a cost-recovery fee for any modification, amendment or alteration of this Lease requested by LESSEE.
51. Legal Proceedings. If any party brings an action or proceeding against another party under this Lease, the prevailing party shall be entitled to recover from the non-prevailing party all reasonable costs and expenses thereof, including without limitation reasonable attorney fees and costs. The "prevailing party" shall be that party who obtains substantially the result sought, whether by settlement, dismissal, or judgment. If, as a result of an action brought by or against LESSEE relating to LESSEE'S leasehold or otherwise in connection with this Lease, and CITY intervenes therein, becomes a party, or is made a party thereto, LESSEE shall pay all of CITY'S expenses thereof, including without limitation costs and attorney fees.
52. Authority to Contract. Each individual executing this Lease on behalf of another person or legal entity represents and warrants that they are authorized to execute and deliver this Lease on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Lease is binding upon such person or entity in accordance with its terms. Each person executing this Lease on behalf of another person or legal entity represents and warrants such entity is a

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valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the Effective Date.

Date: 11.14.11

CONNECTIONS HOUSING DOWNTOWN, L.P.,
a California limited partnership

BY: AFFIRMED HOUSING GROUP, INC., a
Delaware corporation doing business as
"Affirmed Housing Partners", Administrative
General Partner

By: [Signature]
Name: James Silverwood
Title: President

BY: PATH VENTURES, a California nonprofit,
public benefit corporation, Managing General
Partner

By: [Signature]
Name: John Mawer
Title: Exec. Dir

Date: 11/16/11

THE CITY OF SAN DIEGO, a California
municipal corporation

BY: [Signature]
Name: _____
Title: _____

Approved as to form and legality:

JAN I. GOLDSMITH, City Attorney

BY: [Signature]
Name: Brock Ladewig
Title: Deputy City Attorney

Exhibit A: Initial Scope of Allowed Use

Exhibit B: Premises

Exhibit C: Restricted Area

Environmental Analysis Section Environmental Clearance:

This Project is covered under the Final Environmental Impact Report (FEIR) for the Centre City Redevelopment Plan certified by the Redevelopment Agency ("Agency") on March 14, 2006 (Resolution R-04001) and subsequent addenda to the FEIR certified by the Agency on August 3, 2007 (Agency Resolution R-04193), April 21, 2010 (Agency Resolutions R-04508 and R-04510), and August 3, 2010 (Agency Resolution R-04544) in compliance with the California Environmental Quality Act (CEQA). The FEIR is a "Program EIR" prepared in compliance with State CEQA Guidelines Section 15168. In accordance with Agency's procedures, an Environmental Secondary Study (ESS) dated January 3, 2011 has been prepared which has made certain findings with respect to the impacts on the environment compared to the analysis performed in the FEIR. This Right-of-Entry is part of a series of subsequent discretionary actions, and therefore not considered to be a separate project for purposes of CEQA review as defined in State CEQA Guidelines Section §15378(c). Pursuant to Section 15168/15162 of CEQA, there is no change in circumstance, additional information or project changes to warrant additional environmental review.

Date: 11/9/2011

BY: Jeffrey B. Szymanski
Name: JEFFREY B. SZYMANSKI
Title: ASSOCIATE PLANNER

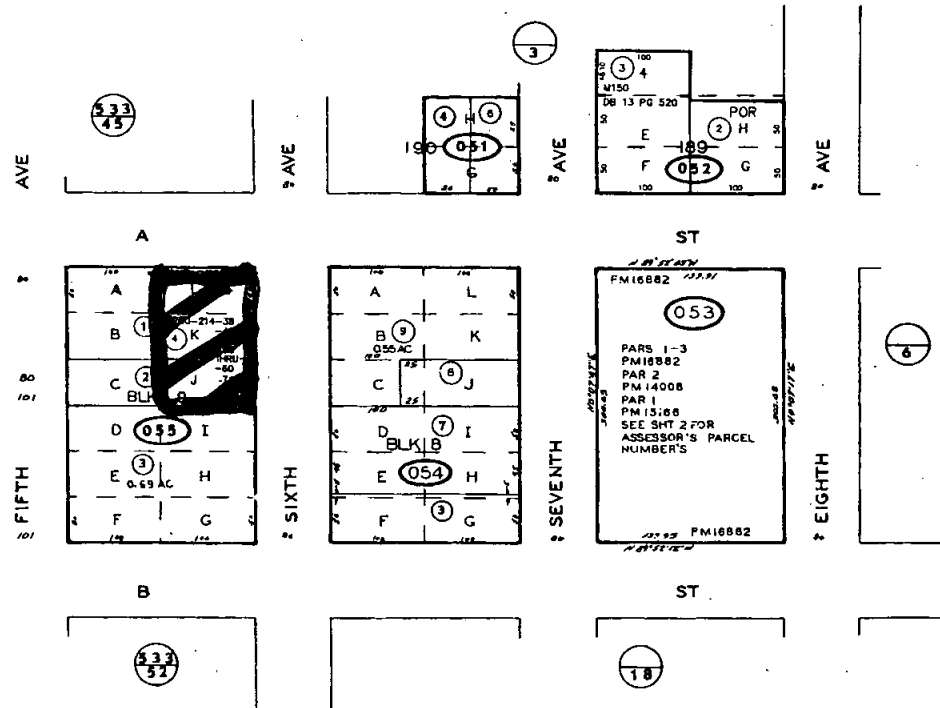
Exhibit A: Initial Scope of Allowed Use

1. Exploratory demo as needed to confirm existing conditions as needed by our design team.
2. Full access for inspections by consultants for elevator, SDG&E and all subcontractors.
3. Subcontractor safety orientations and meetings.
4. Traffic Engineering, inclusive of obtaining traffic control permits for "A" Street and "6th" Street, construction of pedestrian walkways and appropriate street signage.
5. Demolition and abatement, inclusive of obtaining the 10-day APCD permit, reviewing the abatement work plan, and preparing for abatement. No structural demolition.
6. Safe-off of mechanical, electrical, and fire sprinklers.

Exhibit B: Premises

[TO FOLLOW BEHIND THIS PAGE]

534-051-055



05
OF 2



1"=100'

N

CHANGES				
BLK	OLD	NEW	TR	CL
054	2, 15	7	75	45
051	2	415	74	24
051	3, 5	6	75	24
056	16, 6	81, 9	82	87
053	2	71, 8	85	21, 2
058	9, 17	9		
058	8	ADJUSTED		
053	1	100, 82, 86	86	18
		54, 87	86	22
053	1, 5, 10			
	7, 8			
053	8, 5, 14	11		
053	9	12	73	18
052	5, 13, 1	3	95	175

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSUMED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.

MAP 150 - BAY VIEW HOMESTEAD
OB 13 - PG 522 - HORTONS ADD LOCKLING

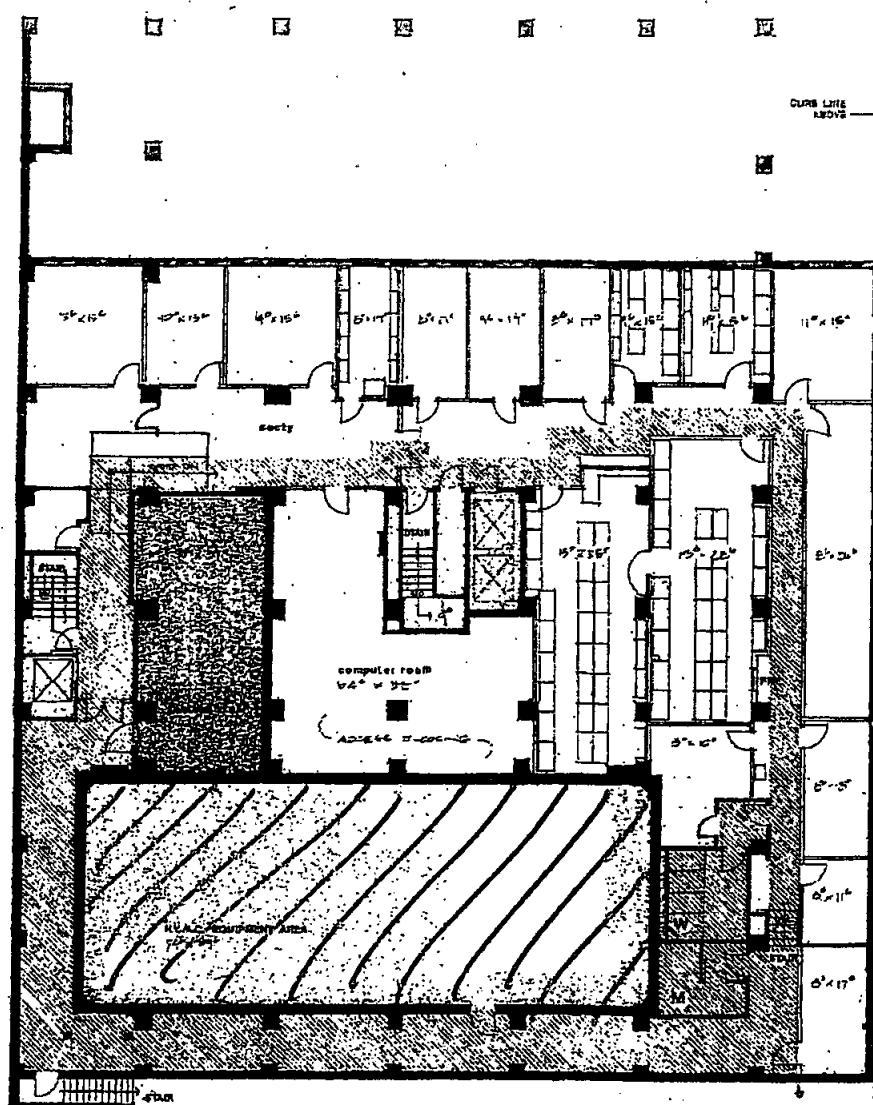
— OFFICE BUILDING ONLY —

- PREMISES -

Exhibit C: Restricted Area

[TO FOLLOW BEHIND THIS PAGE]

CURB LITE
ARROWS



ACCESS
RESTRICTED

SUB BASEMENT FLOOR PLAN

SCALE 1/8"=1'-0"

COMMON	2260	SF
USEABLE	6020	SF
NET RENTABLE FLOOR AREA	8280	SF

GUARANTY OF LEASE

[City of San Diego/Connections Housing Downtown, L.P. | WORLD TRADE CENTER OFFICE BUILDING]

AFFIRMED HOUSING GROUP, INC., a Delaware corporation doing business as "Affirmed Housing Partners," **AND PATH VENTURES**, a California nonprofit, public benefit corporation (jointly and severally, "**Guarantor**"), as a material inducement to and in consideration of the execution and delivery of that certain CITY OF SAN DIEGO FLAT RATE LEASE ("Lease") by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), as lessor, and, **CONNECTIONS HOUSING DOWNTOWN, L.P.**, a California limited partnership ("**LESSEE**"), as lessee, to be effective as of November 1, 2011, relating to that certain real property located at 1250 Sixth Avenue, San Diego, California 92101 (APNs 534-055-01, 02, and 04; the "**Premises**," as depicted in Exhibit B: Premises, attached to the Lease), hereby agrees as follows:

1. Guarantor hereby unconditionally guarantees the performance of, and unconditionally promises to perform, all of the obligations of LESSEE under the Lease and any and all extensions and modifications thereof, including without limitation the obligation to pay rent thereunder.
2. In such manner, upon such terms and at such times as CITY shall deem best, and without notice to or the consent of Guarantor, CITY may alter, compromise, extend or change the time or manner for the performance of any obligation hereby guaranteed, substitute or add any one or more guarantors, accept additional or substituted security for the performance of any such obligation, or release or subordinate any security therefor, any and all of which may be accomplished without any effect on the obligations of Guarantor hereunder. No exercise or non-exercise by CITY of any right hereby given, no dealing by CITY with LESSEE, any other guarantor or other person, and no change, impairment or suspension of any right or remedy of CITY shall in any way affect any of the obligations of Guarantor hereunder or any security furnished by Guarantor or give Guarantor any recourse against CITY. If the obligations of LESSEE under the Lease are discharged or modified pursuant to any bankruptcy or similar proceedings, including without limitation by reason of the disaffirmance or rejection of the Lease, Guarantor's obligations hereunder will continue in full force and effect as if LESSEE'S obligations had not been so discharged or modified. The liability of Guarantor hereunder shall in no way be affected by: (a) the release or discharge of LESSEE or any other guarantor of the Lease, (b) the assignment or transfer of the Lease by LESSEE; or (c) any disability or other defense of LESSEE. CITY and LESSEE, may without notice to or consent by Guarantor, at any time, or from time to time, enter into such modifications, extensions, amendments, or other covenants respecting the Lease as they may deem appropriate, and Guarantor shall be not released thereby, but shall continue to be fully liable for the payment and performance of all liabilities, obligations and duties of LESSEE under the Lease as so modified, extended, or amended.
3. Guarantor hereby waives and agrees not to assert or take advantage of the following:
 - (a) Any right to require CITY to proceed against LESSEE or any other person or to proceed or exhaust any security held by CITY at any time or to pursue any other remedy in

CITY'S power before proceeding against Guarantor, including the provisions of Sections 2845 and 2850 of the Civil Code of California;

- (b) Any defense based on the statute of limitations in any action hereunder or in any action for the performance of any obligation hereby guaranteed;
 - (c) Any defense that may arise by reason of the incapacity, lack of authority, bankruptcy, death or disability of any other person or persons or the failure of CITY to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons, including the provisions of Section 2810 of the Civil Code of California;
 - (d) Any right to receive demands, protests and notices of any kind including, but not limited to, notice of the existence, creation or incurring of any new or additional obligation or of any action or non-action on the part of LESSEE, CITY or any other person;
 - (e) Any defense based on an election of remedies including, but not limited to, any action by CITY which shall destroy or otherwise impair any subrogation right of Guarantor or the right of Guarantor to proceed against LESSEE for reimbursement, or both;
 - (f) Any duty on the part of CITY to disclose to Guarantor any facts CITY may now or hereafter know about LESSEE, regardless of whether CITY has reason to believe that such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the financial condition of LESSEE and of all circumstances bearing on the risk of nonperformance of any obligation hereby guaranteed;
 - (g) Any right to receive notice of or to consent to any amendments that may hereafter be made to the Lease, including the provisions of Section 2819 of the Civil Code of California;
 - (h) Any defense based on the fact that Guarantor's obligations hereunder are larger or more burdensome than that of LESSEE'S under the Lease, including the provisions of Section 2809 of the Civil Code of California; and
 - (i) Any other rights and defenses that are or may become available to Guarantor by reason of Sections 2787 through 2855, inclusive, of the Civil Code of California.
4. Until all obligations hereby guaranteed shall have been fully performed, Guarantor shall have no right of subrogation and waives any right to enforce any remedy which CITY now has or may hereafter have against LESSEE and any benefit of, and any right to participate in, any security now or hereafter held by CITY, including the provisions of Sections 2847, 2848 and 2849 of the Civil Code of California. Guarantor agrees that nothing contained herein shall prevent CITY from suing on the Lease or from exercising any rights available to CITY thereunder and that the exercise of any of the aforesaid rights shall not constitute a legal or

equitable discharge of Guarantor. Guarantor expressly waives any and all benefits under the second sentence of California Civil Code Section 2822(a). Guarantor agrees that CITY (and not LESSEE) shall have the right to designate the portion of LESSEE'S obligations under the Lease that is satisfied by a partial payment by LESSEE.

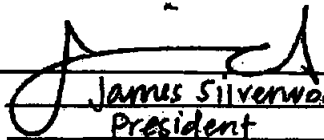
5. All existing and future obligations of LESSEE to Guarantor, or any person owned or controlled in whole or in part by Guarantor, and the right of Guarantor to cause or permit itself or such person to withdraw any capital invested in LESSEE are hereby subordinated to all obligations hereby guaranteed, and, without the prior written consent of CITY, such obligations to Guarantor shall not be performed, and such capital shall not be withdrawn, in whole or in part, while LESSEE is in default under the Lease.
6. All rights, powers and remedies of CITY hereunder and under any other agreement now or at any time hereafter in force between CITY and Guarantor shall be cumulative and not alternative, and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to CITY at law or in equity. This Guaranty of Lease is in addition to and exclusive of the guarantee of any other guarantor of any obligation of LESSEE to CITY.
7. The obligations of Guarantor hereunder are independent of the obligations of LESSEE under the Lease, and, in the event of any default hereunder or under the Lease, a separate action or actions may be brought and prosecuted against Guarantor, whether or not LESSEE is joined therein or a separate action or actions are brought against LESSEE. CITY may maintain successive actions for other defaults. CITY'S rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless all obligations hereby guaranteed shall have been fully performed.
8. Guarantor shall pay to CITY, without demand, reasonable attorneys' fees and all costs and other expenses which CITY shall expend or incur in collecting or compromising any obligation hereby guaranteed or in enforcing this Guaranty of Lease against Guarantor, whether or not suit is filed, including without limitation attorneys' fees, costs and other expenses incurred by CITY in connection with any insolvency, bankruptcy, reorganization, arrangement or other similar proceeding involving Guarantor which in any way affects the exercise by CITY of its rights and remedies hereunder.
9. Should any one or more provisions of this Guaranty of Lease be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.
10. This Guaranty of Lease shall inure to the benefit of CITY and its successors and assigns, and shall bind the heirs, executors, administrators, successors and assigns of Guarantor. This Guaranty of Lease may be assigned by CITY concurrently with the transfer of title to property covered by the Lease, and, when so assigned, Guarantor shall be liable to the assignees without in any manner affecting the liability of Guarantor hereunder.
11. Upon full performance of all obligations hereby guaranteed, this Guaranty of Lease shall be of no further force or effect.

12. No provision of this Guaranty of Lease or right of CITY hereunder can be waived or modified, nor can Guarantor be released from Guarantor's obligations hereunder, except by a writing duly executed and delivered by CITY.
13. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural and the masculine shall include the feminine and neuter and vice versa. The word "person" as used herein shall include any individual, company, firm, association, partnership, corporation, trust or other legal entity of any kind whatsoever.
14. If two (2) or more persons or entities are signing this Guaranty of Lease as Guarantor, then all such entities shall be jointly and severally liable for the obligations of Guarantor hereunder.
15. This Guaranty of Lease shall be governed by and construed in accordance with the laws of the State of California. In any action brought under or arising out of this Guaranty of Lease, Guarantor hereby consents to the jurisdiction of any competent court within the State of California and hereby consents to service of process by any means authorized by California law. This Guaranty of Lease shall constitute the entire agreement of Guarantor with respect to the subject matter hereof, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon CITY unless expressed herein.

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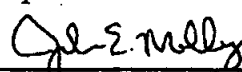
16. Each individual executing this Guaranty of Lease on behalf of another person or legal entity represents and warrants that they are authorized to execute and deliver this Guaranty of Lease on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Guaranty of Lease is binding upon such person or entity in accordance with its terms. Each person executing this Guaranty of Lease on behalf of another person or legal entity represents and warrants such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

AFFIRMED HOUSING GROUP, INC., a Delaware corporation doing business as "Affirmed Housing Partners"

By: 
Name: James Silverwood
Title: President

By: _____
Name: _____
Title: _____

PATH VENTURES, a California nonprofit, public benefit corporation

By: 
Name: John Morrow
Title: Exec. Dir.

By: _____
Name: _____
Title: _____