

RECORDING REQUESTED BY
California Community Housing Agency

WHEN RECORDED RETURN TO:
Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Jesse Albani

PURCHASE OPTION AGREEMENT

By and Between

CALIFORNIA COMMUNITY HOUSING AGENCY

and

CITY OF CARSON

Dated as of [DATE]

Relating to

**CALIFORNIA COMMUNITY HOUSING AGENCY
ESSENTIAL HOUSING REVENUE BONDS, [SERIES]
([PROPERTY NAME])**

and

**CALIFORNIA COMMUNITY HOUSING AGENCY
SUBORDINATE ESSENTIAL HOUSING REVENUE BONDS, [SERIES]
([PROPERTY NAME])**

EXHIBIT NO. 3

PURCHASE OPTION AGREEMENT

This PURCHASE OPTION AGREEMENT ("Option Agreement") is made effective as of [DATE] ("Effective Date") by and between the CALIFORNIA COMMUNITY HOUSING AGENCY, a joint exercise of powers agency organized and existing under the laws of the state of California (including its successors and assigns, "Owner") and CITY OF CARSON, a California municipal corporation ("Host").

BACKGROUND

WHEREAS, the Owner proposes to issue Bonds (as hereinafter defined) to finance Owner's acquisition of the certain multifamily rental housing project (the "Project") located at [ADDRESS] in the City of Carson, California, located on the real property site described in Exhibit A hereto; and

WHEREAS, the Owner intends to offer the Project to the Host pursuant to this Option Agreement.

AGREEMENT

In consideration of the mutual covenants herein contained, and such other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, Owner and Host mutually agree as follows:

Section 1. Grant of Option. Owner hereby grants to Host an option ("Option") to purchase the Optioned Property (as herein defined) upon payment of the Option Price (as herein provided) within the Option Term (as herein defined) and in compliance with and observance of all of the terms and conditions of this Option Agreement.

Section 2. Definitions. Capitalized terms used in this Option Agreement shall have the meanings assigned to them in this Section 2; capitalized terms used in this Option Agreement and not defined in this Section 2 or elsewhere herein shall have the meanings assigned to them in the Indenture (herein defined).

(a) "Authority Indemnified Parties" – the Owner and each of its officers, governing members, directors, officials, employees, attorneys, agents and members.

(b) "Bonds" – collectively, (i) the California Community Housing Agency Essential Housing Revenue Bonds, [SERIES] ([PROPERTY NAME]) (the "Series A Bonds"), and (ii) the California Community Housing Agency Subordinate Essential Housing Revenue Bonds, [SERIES] ([PROPERTY NAME]) (the "Series B Bonds"), with such other series and sub-series designations as may be set forth in the Indenture, originally issued to finance Owner's acquisition of the Project and related transaction costs.

(c) "Bond Trustee" – Wilmington Trust, National Association or any successor trustee under the Indenture.

(d) "Closing" – shall have the meaning set forth in Section 8 hereof.

(e) “Conveyance” – that transaction or series of transactions by which Owner shall transfer, bargain, sell and convey any and all right, title or interest in and to the Optioned Property to Host.

(f) “Extraordinary Costs and Expenses” – shall have the meaning set forth in the Indenture.

(g) “Indenture” – the Indenture of Trust dated as of [DATE] between Owner, as issuer, and the Bond Trustee, as trustee, pursuant to which the Bonds were issued.

(h) “Manager” – Catalyst Housing Group LLC and its successors and assigns.

(i) “Option Price” – the sum of the amounts set forth below:

i. an amount sufficient to either prepay, redeem in whole or fully defease for redemption on the earliest call date all Project Debt; plus

ii. any fees or other amounts not identified in clause (i) that may be necessary to effect the complete release from and discharge of any lien, mortgage or other encumbrance on the Optioned Property; plus

iii. any amounts due to Owner (including the Authority Indemnified Persons, as provided in the Indenture), the Bond Trustee or any predecessor or successor, or any other person under any indenture, loan agreement, bond, note or other instrument relating to any Project Debt (including, without limitation, indemnification amounts, Owner’s Extraordinary Costs and Expenses, recurrent and extraordinary fees and expenses, and reimbursable costs and expenses of any kind or nature); plus

iv. Transaction Costs; minus

v. The amount of any Project Debt assumed by Host; and minus

vi. Any funds held by or for Owner under the Indenture applied to the retirement of Project Debt.

(j) “Option Exercise Date” – the date fifteen (15) years from the issuance of the Bonds.

(k) “Option Term” – shall commence on the Option Exercise Date and, if not exercised, shall terminate at 11:59 p.m. local time on the date that is fourteen (14) years from the Option Exercise Date.

(l) “Optioned Property” – means all of Owner’s right, title and interest (which includes fee simple title to the real property) in and to all property and assets used in or otherwise related to the operation of the Project including, without limitation, all real property and interests in real property, all tangible and intangible personal property including furniture, fixtures, equipment, supplies, intellectual property, licenses, permits, approvals, and contractual rights of

any kind or nature together with the right to own and carry on the business and operations of the Project.

(m) “Outstanding” – with respect to Bonds, as of any given date, all Bonds which have been authenticated and delivered by the Bond Trustee under the Indenture, except: (i) Bonds cancelled at or prior to such date or delivered to or acquired by the Bond Trustee or prior to such date for cancellation; (ii) Bonds deemed to be paid in accordance with Article VIII of the Indenture; and (iii) Bonds in lieu of which other Bonds have been authenticated under the Indenture.

(n) “Project Debt” – any debt secured by the Project and incurred to finance or re-finance Owner’s acquisition of the Project and related transaction costs, including any portion of the Bonds and any bonds, notes or other indebtedness issued by Owner to refund the Bonds in whole or in part.

(o) “Transaction Costs” – to the extent not otherwise described herein, any costs or expenses of any kind or nature associated with or incurred by Owner and Host in connection with the consummation of the Conveyance, any refinancing of the Project or assumption of Project Debt regardless of whether such costs and expenses are customarily borne by the seller or purchaser in any such transaction, including but not limited to taxes, recording fees and other impositions, Owner’s and Host’s legal and other professional fees, fees for verification agents, bidding agents, escrow agents, custodians or trustees, assumption fees, prepayment fees, the cost of the appraisal, surveys, inspections, title commitments, title insurance premiums and other title-related fees, and all amounts required for indemnification of Owner, Bond Trustee and Manager.

Section 3. Option Effectiveness and Term. The Option shall become effective on the Option Exercise Date and may be exercised during the Option Term. Owner agrees that it will not enter into any agreement to sell all or any part of the Optioned Property during the Option Term, without the specific written request of the Host and written consent of the Owner, which consent shall not be unreasonably withheld, conditioned, or delayed, and delivery of an Opinion of Bond Counsel to the Owner substantially to the effect that such sale will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. After expiration of the Option Term, Host shall not be precluded from purchasing all or any portion of the Optioned Property from Owner at a price and on the terms agreed upon by Host and Owner, but Owner shall not be precluded from seeking or agreeing to sell, or consummating the sale of, all or any portion thereof to any third person.

Section 4. Manner of Exercise.

(a) Owner’s Notice. At least six (6) months prior to the Option Exercise Date, Owner shall provide Host notice of the Option Exercise Date.

(b) Host’s Notice. To exercise the Option, Host shall provide a notice (an “*Exercise Notice*”) to Owner at any time prior to the end of the Option Term.

(c) Owner’s Response. Within fifteen (15) business days of its receipt of the Exercise Notice, Owner shall provide Host with written estimate of the amounts comprising the Option Price.

(d) Host's Response. Within fifteen (15) business days of its receipt of Owner's estimate under Subsection (c), Host shall notify Owner in writing either (i) that it is withdrawing its Exercise Notice, or (ii) that it intends to proceed with the purchase of the Optioned Property.

(e) Fixing of Option Price; Contractual Obligation. Unless Host notifies Owner in writing that it is withdrawing its Exercise Notice within fifteen (15) business days of its receipt of Owner's estimate under Section 4(c) hereof, Host shall deliver to Owner a purchase agreement therefor in form and substance satisfactory to Owner and its counsel subject to the terms and conditions of this Option Agreement. Unless Owner shall have objected to the form of purchase agreement within fifteen (15) business days of its receipt thereof, Owner shall be deemed to have accepted the terms of the purchase agreement without the need for the signature of Owner thereon, and Host shall be obligated to purchase and Owner shall be obligated to sell and convey to Host good and marketable title to the Optioned Property at the Option Price within ninety (90) days thereafter.

Section 5. Determination of Option Price. Unless the parties otherwise agree, Owner shall cooperate with Host and provide Host with all information and records in its possession, and access to counsel and other professionals, to assist Host in determining and updating the Option Price.

Section 6. Surplus Cash. The Owner shall cause the Bond Trustee to create an account (the "Excess Revenue Fund") under (i) the Indenture or (ii) in the event that the Bonds have been retired and the Indenture discharged, a separate trust agreement identifying Owner as trustor, a trustee selected by Owner as trustee, and Host as beneficiary, into which excess revenue over expenses shall be deposited. Upon the commencement of the Option Term, after full payment of the fees, charges and expenses of the Owner and the Bond Trustee and other amounts required to be paid pursuant to the Indenture or other documents relating to then-outstanding Project Debt, amounts remaining in the Excess Revenue Fund shall be transferred to the Host. Thereafter, amounts in the Excess Revenue Fund shall be transferred to the Host periodically.

The Host shall apply amounts in the Excess Revenue Fund to the payment of the Option Price and thereafter shall apply such funds in its sole discretion.

Section 7. Terms of Conveyance.

(a) The Conveyance shall be in the nature of a grant deed in which Owner shall deliver one or more deeds, bills of sale, or other instruments of transfer without recourse or warranty of any kind or nature.

(b) The Optioned Property will be conveyed to Host in AS IS CONDITION, WITH ALL FAULTS, and without representations or warranties of any kind or nature as to the condition of the Optioned Property.

(c) There shall be no partial transfer and that, upon consummation of the Conveyance, Owner shall be fully divested of any and all right, title or interest in and to the Optioned Property.

Section 8. Closing. The closing of the Conveyance ("Closing") shall take place not later than the ninetieth (90th) calendar day following the date on which the parties agree on the terms of the purchase agreement pursuant to Section 4(e) hereof at such time within normal business hours and at such place as may be designated by Host.

(a) Prorations. All general and special real property taxes and assessments, and rents shall be prorated as of the Closing, with Host responsible for all such items to the extent arising or due at any time following the Closing. General real property taxes shall be prorated at the time of Closing based on the net general real property taxes for the year of Closing.

(b) Limitation. If, after taking into account all adjustments and prorations, the net amount due Owner at Closing is less than the Option Price, the actual Option Price, as the case may be, shall instead be the resultant price after taking into account adjustments and prorations, it being understood and agreed that in no event shall Owner receive proceeds less than the amount necessary to fully retire or defease, as the case may be, the Series A Bonds and the Series B Bonds and otherwise satisfy all of the payments constituting the components of the Option Price.

Section 9. Recording. This Option Agreement, and any amendment thereto, shall be recorded with the recorder's office of the County of Los Angeles; *provided*, that in the event Host fails to exercise the Option, then upon expiration of the term of this Option Agreement, Host shall cooperate with Owner to remove any such recorded Option Agreement or amendment thereto from title to the Optioned Property upon Owner's reasonable request therefor and, in any event, by no later than thirty (30) days after the expiration of the original term of this Option Agreement. In the event that, within said time, Host fails to so cooperate and provide its original signature to a termination of such recorded Option Agreement or amendment thereto, then Host hereby irrevocably constitutes and appoints Owner as Host's true and lawful attorney (and agent-in-fact) solely for the purpose of executing in Host's name any such termination.

Section 10. Possession. Physical possession of the Optioned Property shall be delivered to Host at the time of Closing.

Section 11. Title Insurance, Title Defects.

(a) Within fifteen (15) business days after it receives the Option Exercise Notice, Owner shall provide Host with a title commitment (the "Title Commitment") in the customary ALTA form of Standard Owner's Policy of Title Insurance in Host's favor, for the amount equivalent to the Option Price (whichever is applicable), with a commitment to insure good and marketable fee simple title to the Optioned Property in Host, issued by a title insurance company licensed to do business in the State of California and acceptable to Host (the "Title Company"). The policy shall show the status of title to the Optioned Property and show all exceptions, including easements, restrictions, rights-of-way, covenants, reservations, and other conditions of record, if any, affecting the subject real estate. Accompanying the Title Commitment, Owner shall also have Title Company furnish Host with true, correct, complete, and legible copies of all documents affecting title to the subject real estate. The cost and expense of such Standard Owner's Title Commitment shall be payable as a Transaction Cost. Host shall pay the additional premium due if Host elects to obtain an extended coverage policy of title insurance and/or extended coverage endorsements. Owner shall cooperate with Host, at no expense to Owner, by providing an

affidavit to Title Company to induce Title Company to issue to Host at Closing a “GAP” endorsement to the Title Commitment showing the effective date of the Title Commitment to be the time and date of Closing.

(b) If the Title Commitment shows exceptions to title which are unacceptable to Host, Host shall, within ten (10) business days after receipt of the Title Commitment and not later than twenty (20) business days before the date for Closing, notify Owner of such fact and Owner shall have twenty (20) business days after Owner receives Host’s written objections to cure such defects and to present a Title Commitment on the basis of which Closing may occur or to notify Host that Owner will not cure same. If Owner cannot or will not cure such defects within such twenty (20) day period and thereafter convey title to the Property as required in this Option Agreement, then Host shall have the right (at Host’s option) to either:

(i) Rescind the Option Exercise Notice and Owner may proceed to close the sale under the terms of the third-party offer, if there is a third-party offer; or

(ii) Accept whatever title Owner can or will convey, without reduction in the purchase price because of such title defects. Any exceptions to title disclosed on the Title Commitment to which Host does not timely object to in writing or to which Host objects but thereafter accepts by Closing shall be included as a “Permitted Exception.”

Section 12. Assignment. The Host shall not assign the Option without the prior written consent of the Owner, which consent shall not be unreasonably withheld, conditioned, or delayed, and delivery of an Opinion of Bond Counsel to the Owner substantially to the effect that such assignment will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation. Notwithstanding the foregoing, neither party to this Option Agreement shall assign its interests, obligations, rights and/or responsibilities under this Option Agreement without the prior written consent of the other party.

Section 13. No Individual Liability; Limitation of Host’s Obligations.

(a) No Individual Owner Liability. No Authority Indemnified Person shall be individually or personally liable for the payment of any sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Option Agreement, or by any proceedings for the determination of the Option Price, or Host’s exercise or waiver of same, or otherwise except in the case of such Authority Indemnified Person’s own willful misconduct.

(b) No Individual Host Liability. No officer or employee of Host shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by Host of any obligation of the terms of this Option Agreement.

(c) Limitation of Host’s Obligations. The Bonds will not be a debt, liability or obligation of Host but rather, solely indebtedness of the Owner. Under no circumstances shall Host be obligated to (i) provide any financing to acquire or construct the Project or any refinancing of the Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the acquisition, construction, rehabilitation or operation of the Project; or (iii) make any contribution or advance any funds whatsoever to the Owner.

Section 14. Notices, Governing Law, Binding Effect and Other Miscellaneous Provisions.

(a) Notices. All notices provided for in this Option Agreement shall be in writing and shall be given to Owner or Host at the address set forth below or at such other address as they individually may specify thereafter by written notice in accordance herewith:

If to Owner: California Community Housing Agency
1400 W. Lacey Blvd., Building 1
Hanford, California 93230
Attention: Michael LaPierre

With a copy to: Catalyst Housing Group
21 Ward Street, Suite 2
Larkspur, California 94939
Attention: Jordan Moss

If to Host: City of [CITY]
[ADDRESS]
Attention: [NAME, DEPARTMENT]

Such notices shall be deemed effective upon actual delivery or upon the date that any such delivery was attempted and acceptance thereof was refused, or if mailed, certified return receipt requested, postage prepaid, properly addressed, three (3) days after posting.

(b) Consents and Approvals. All consents and approvals and waivers required or asserted hereunder shall be in writing, signed by the party from whom such consent, approval, waiver or notice is requested, provided that no written consent or approval of Owner shall be required for any action that Host may, in its reasonable good faith judgment, find it necessary to take in the event of an emergency.

(c) Cooperation. Owner will keep Host advised of its complete name at all times, including any change of such name. Host will keep Owner advised of its complete name at all times, including any change of such name.

(d) Pronouns. Where appropriate to the context, words of one gender include all genders, and the singular includes the plural and vice versa.

(e) Amendments. This Option Agreement may not be modified except in a written instrument signed by Host and Owner.

(f) Complete Agreement. This Option Agreement together with all schedules and exhibits attached hereto and made part thereof supersedes all previous agreements, understandings and representations made by or between the parties hereto.

(g) Governing Law. This Option Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to conflicts of law principles. All claims of whatever character arising out of this Option Agreement, or under any statute or common law relating in any way, directly or indirectly, to the subject matter hereof or to the dealings between Owner and any other party hereto, if and to the extent that such claim potentially could or actually does involve Owner, shall be brought in any state or federal court of competent jurisdiction located in Los Angeles County, California. By executing and delivering this Option Agreement, each party hereto irrevocably: (i) accepts generally and unconditionally the exclusive jurisdiction and venue of such courts; (ii) waives any defense of forum non-conveniens; and (iii) agrees not to seek removal of such proceedings to any court or forum other than as specified above. The foregoing shall not be deemed or construed to constitute a waiver by Owner or Host of any prior notice or procedural requirements applicable to actions or claims against or involving governmental units and/or political subdivisions of the State of California that may exist at the time of and in connection with such matter.

(h) Legal Construction. In case any one or more of the provisions contained in this Option Agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such invalid provision shall be deemed severable, and shall not affect the validity or enforceability of any other provisions of this Option Agreement, all of which shall remain fully enforceable.

(i) Term. This Option Agreement shall terminate upon the Conveyance or a sale to a third party pursuant to Section 3 hereof.

(j) Captions. The captions used in this Option Agreement are solely for convenience, and shall not be deemed to constitute a part of the substance of the Option Agreement for purpose of its construction.

(k) Counterparts. This Option Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts shall together constitute but one and the same Option Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have executed this Option Agreement as of the date set forth above.

**CALIFORNIA COMMUNITY HOUSING
AGENCY**

By:

CITY OF CARSON

By:

Sharon Landers, City Manager

ATTEST:

Donesia Gause-Aldana, City Clerk

APPROVED AS TO FORM:
ALESHIRE & WYNDER, LLP

Sunny K. Soltani, City Attorney
[rjl]

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

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

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

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A

LEGAL DESCRIPTION OF REAL PROPERTY