

Staff Report

City of Manhattan Beach

TO: Honorable Mayor Montgomery and Members of the City Council

FROM: Nick Tell, Mayor Pro Tem
Mitch Ward, Councilmember

DATE: January 18, 2011

SUBJECT: Consideration of Home Loan and Equity Sharing Agreements with the City Manager for the Purchase of a Residence in Manhattan Beach, Including a Housing Assistance Agreement, Secured Promissory Note and Tenancy In Common Agreement, and Appropriation of \$974,685 from the General Fund

RECOMMENDATION:

The City Manager Transition Team (Mayor Pro Tem Nick Tell and Councilmember Mitch Ward) recommends that the City Council: a) approve a home loan and equity sharing arrangement with the City Manager; b) approve relevant documents including the Housing Assistance Agreement, the Secured Promissory Note, and the Tenancy In Common Agreement; c) authorize the Mayor to execute the Escrow Instructions (including Buyer's Estimated Closing Costs statement) and all related documents to the purchase of the property; and d) appropriate \$974,685 from the General Fund.

FISCAL IMPLICATION:

The agreement, which is explained in further detail below, will provide a home loan and equity sharing arrangement with the City Manager. The City will act as the lender for the home loan to the City Manager for his half of the property, as well as co-owner of half of the property. In order to execute this arrangement, the City will fund \$974,685 to escrow (\$540,000 as the City's 50% interest in the property and \$432,000 as the lender on the City Manager's portion (this results in an 80% loan to value on the City Manager's portion), and \$2,685 for the City's share of the estimated closing costs. Those funds will need to be appropriated from the General Fund.

BACKGROUND:

The contract with recently hired City Manager David Carmany provides for housing assistance in order to allow the City Manager to live in our community. This is a common practice in cities where the cost of housing is high. In fact, the prior City Manager and prior Police Chief were provided home loans by the City.

DISCUSSION:

The City Manager recently made an offer on a home located at 2913 Pacific Avenue in Manhattan Beach. The offer was accepted and escrow has been opened. In order to complete the sale the City's home loan agreement needs to be approved by the Council. The loan will be based on the City and

Mr. Carmany sharing ownership and equity on a 50% each basis. The structure of the arrangement is as follows:

Purchase Price	\$ 1,080,000.00
10% Down Payment - David Carmany	\$ (108,000.00)
10% Down Payment - City	\$ (108,000.00)
Loan Amount (City as Lender)	\$ 864,000.00
Amount to be funded by City as Lender	\$ 864,000.00
D. Carmany Loan	\$ 432,000.00
City Equity (cash funded by City)	\$ 432,000.00
Interest Only Loan Rate	5.000%
Annual Interest (D.Carmany)	\$21,600.00
Monthly Interest Only Payment (Months 1-60) (D.Carmany)	\$1,800.00

Loan to be Interest Only for first five years then full amortized for remaining 25 years at 5% fixed, as follows:

Loan Principal	\$ 432,000.00
Interest Rate (Fixed)	5.00%
Term (Months) (25 years)	300
Payment (Months 61-360 Fixed)	\$2,525.43

The City will act as co-owner and lender, with the City cash funding our equity share (50%) of the property (\$108,000 down payment plus \$432,000 balance for a total of \$540,000) and lending \$432,000 to Mr. Carmany after his down payment of \$108,000. The loan will be an interest only for the first 5 years (60 months) and then will convert to a fully amortized loan for the remaining twenty-five years (300 months). The interest rate (5%) is a current market rate as of January 3, 2011.

The purchase agreement for the property includes a credit to the buyers from the seller of \$65,000 for renovations to the property. These funds will be distributed through escrow to the City, which in turn will distribute them to the City Manager as the renovations are performed.

The City Manager will be required to maintain the home, pay for utilities and his share of applicable property taxes. The loan is due and payable within six months of City Manager's separation from the City. Upon such separation, the City Manager has the option to purchase the City's share of the property. In the event he declines to do so, the City retains the right to purchase the City Manager's share. In either case, the value will be determined through an independent appraisal process described in the loan documents. Upon sale, the City will share on a 50-50 basis any net proceeds (or losses) from the sale.

The pertinent agreements for the home loan and equity sharing arrangements are attached. they have been prepared by the law firm of Richards, Watson & Gershon.

In order to complete the sale, the City as co-owner and lender will need to fund escrow for a total of \$974,685. Those funds are available in the General Fund, and must be appropriated for this purpose. As a result, staff recommends that the City Council appropriate \$974,685 from the General Fund as part of the approval process of the purchase and loan.

Escrow is expected to close by the end of January.

- Attachments:
- A. Housing Assistance Agreement
 - B. Secured Promissory Note (with Deed of Trust and Fixture Filing)
 - C. Tenancy in Common Agreement
 - D. Escrow Instructions (Brighton Escrow)
 - E. Buyer's Estimated Closing Costs

cc: David Carmany, City Manager

HOUSING ASSISTANCE AGREEMENT BETWEEN THE CITY OF MANHATTAN BEACH AND DAVID CARMANY AND LAURA CARMANY

THIS HOUSING ASSISTANCE AGREEMENT BETWEEN THE CITY OF MANHATTAN BEACH AND DAVID CARMANY and LAURA CARMANY (this "Agreement") is dated as of _____, 2011 and is entered into by and between the CITY OF MANHATTAN BEACH, a municipal corporation ("City"), and DAVID CARMANY and LAURA CARMANY (collectively, "Employee"). The City and the Employee are sometimes individually referred to herein as a "Party".

RECITALS:

WHEREAS, City and Employee have entered into an "Employment Agreement Between the City of Manhattan Beach and David Carmany" (the "Employment Agreement"); and

WHEREAS, Section 4.B(15) of the Employment Agreement provides that if Employee chooses to purchase property within the City of Manhattan Beach as his primary residence, and the property purchased is valued at no more than \$1.2 million, then City will provide housing assistance to Employee through a joint purchase arrangement and a market rate housing loan from the City, subject to terms negotiated in good faith between the parties; and

WHEREAS, Employee has entered into a purchase agreement for a home at 2913 Pacific Avenue in Manhattan Beach, California ("Property") for a purchase price of \$1,015,000 (the "Purchase Price"); and

WHEREAS, this Agreement reflects the joint purchase arrangement and housing loan negotiated by City and Employee.

AGREEMENT:

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. **Housing Assistance.**

(a) **Joint Purchase Arrangement.** City and Employee will each pay \$108,000 of the \$1,080,000 purchase price and one half of the buyer's closing costs (if any) for the purchase of the Property. City and Employee shall each own a fifty percent (50%) tenancy-in-common interest in the home, and the deed shall reflect such ownership.

Prior to the close of escrow, City and Employee shall execute and deliver a tenancy-in-common agreement in the form attached hereto as **Exhibit "A"**.

Equity of \$65,000 (the "Additional Equity") will be paid by the escrow holder at the closing to the City for disbursement by City to Employee after the purchase of the Property to pay for documented costs of repairs, alterations and improvements to the Property. City payments of the Additional Equity shall be made on a monthly basis for six months after the purchase of the Property. Each disbursement of such funds by the City and application to

improvement costs shall constitute a further contribution of equity by each Party of fifty percent (50%) of the amount so applied. The City's disbursements will be conditioned upon receipt of copies of invoices and appropriate mechanics lien releases. Any portion of the Additional Equity that has not been disbursed within the six month period shall be divided equally between City and Employee.

(b) Housing Loan. City will also make a purchase money loan secured by a first priority lien on the Property (as shown by lender's title insurance issued to City) in an amount equal to \$864,000.

The loan shall have an interest rate equal to 5%. The loan will mature upon the earliest of: (i) six (6) months after David Carmany's employment by City ends for any reason; (ii) thirty (30) years from the date of the purchase and loan; or (iii) the sale or transfer of Employee's interest in the home. Monthly payments on the loan will be interest only (\$3,600) for the first five (5) years, then a monthly amount necessary to repay all outstanding principal and interest over the remaining twenty-five (25) years in equal monthly installments.

The loan documents shall be substantially in the form of the documents attached hereto as Exhibit "B".

2. Miscellaneous.

(a) Governing Law. This Agreement shall be interpreted, construed and enforced in accordance with the laws of California.

(b) Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof. No modifications or changes herein or hereof shall be binding upon any party unless set forth in a document duly executed by, or on behalf of, such party.

(c) Waiver. No consent or waiver, express or implied, by any party to or of any breach or default by any other party in performance by such other party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such other party hereunder. Failure on the part of any party to complain of any act or failure to act of any other party or to declare any other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

(d) Successors and Assigns. Subject to the restrictions on transfers and encumbrances set forth herein, this Agreement shall inure to the benefit of and be binding upon the undersigned Parties and their respective successors and permitted assigns.

(e) Notices. All notices, requests, demands and other communication given or required to be given hereunder shall be in writing and personally delivered, sent by first class certified mail, postage prepaid, return receipt requested, or sent overnight by a nationally recognized courier service such as Federal Express, addressed to the parties as follows:

To City: City Clerk
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, California 90266

To Employee: Mr. David Carmany
at the most recent address on file in Employee's
personnel file held by City's Human Resources Department

Delivery of any notice or other communication hereunder shall be deemed made on the date of actual delivery thereof to the address of the addressee, if personally delivered, and on the date indicated in the return receipt or courier's records as the date of delivery or as the date of first attempted delivery, if sent by certified mail or courier service. Any party may change its address for purposes of this Section by giving notice to the other party as herein provided.

(f) Counterparts. This Agreement may be executed by facsimile and in one or more counterparts, all of which taken together shall be deemed to be one original.

(g) Time of Essence. Time is of the essence of each and every provision of this Agreement.

(h) No Partnership or Agency. Neither this Agreement nor the operation of the Property shall cause the Parties to be partners or joint venturers, and no Party shall have the authority to bind, or shall otherwise be, an agent for any other Party with respect to a party's ownership interest in this Property.

(i) City Actions. Neither the City's execution of this Agreement nor any consent or approval given by City hereunder in its capacity as an Owner shall waive, abridge, impair or otherwise affect the City's rights and powers as a governmental entity.

IN WITNESS WHEREOF, this Agreement is executed effective as of the date first set forth above.

CITY:
CITY OF MANHATTAN BEACH,
a municipal corporation

By: _____
Richard Montgomery
Mayor

ATTEST:

(SEAL)

City Clerk

Approved as to Form:

EMPLOYEE:

David Carmany

Laura Carmany

EXHIBIT A

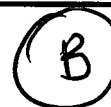
FORM OF TENANCY-IN-COMMON AGREEMENT

(Attached.)

EXHIBIT "B"

FORM OF LOAN DOCUMENTS

(Attached.)



SECURED PROMISSORY NOTE

_____, 2011

Manhattan Beach, California

1. BORROWER’S PROMISE TO PAY; SECURITY

David N. Carmany and Laura L. Carmany (collectively, “Borrower”) and the City of Manhattan Beach (“City”) hereby promise to pay Eight Hundred Sixty-Four Thousand Dollars (\$864,000), (the “Principal”), plus interest, to the order of the CITY OF MANHATTAN BEACH, a municipal corporation; provided, however, that the obligations hereunder of the Borrower are limited to fifty percent (50%) of the principal and interest, late charges on past-due payments of such portion of principal and interest, and 50% of the other obligations hereunder, and the obligations of the City hereunder are limited to the other fifty percent (50%) of the principal and interest, late charges on past due payments of such portions of principal and interest and 50% of the other obligations hereunder, and provided, further that as described in Section 8 below, recourse of the Note Holder (hereinafter defined) for the obligations of Borrower and City is limited to the property securing this Secured Promissory Note (the “Note”).

Lender may transfer this Note. The City and anyone who takes this Note by transfer is referred to herein as the “Note Holder.”

The obligations under this Note are secured by a Deed of Trust and Fixture Filing executed by Borrower and City, as trustor, in favor of Lender, as beneficiary (the “Deed of Trust”) dated substantially concurrently herewith encumbering the property more particularly described in said Deed of Trust (the “Home”) purchased with proceeds of the loan evidenced by this Note.

2. INTEREST

Outstanding principal shall bear simple interest at the rate of five percent (5%) per annum.

3. MATURITY DATE; PAYMENTS

(A) Maturity Date.

All principal and accrued interest shall become due and payable on the earlier of: (i) the date that is six (6) calendar months after the conclusion for any reason of David Carmany’s employment by the City; (ii) _____, 20__ [30 YEARS]; or (iii) the sale or transfer of Borrower’s interest in the Home (the “Maturity Date”).

(B) Payments.

(i) Monthly payments shall be made in arrears on the last business day of each calendar month.

(ii) For the first five (5) years, payments of interest only shall be made. Thereafter, the monthly payments shall be sufficient to fully amortize principal and pay all interest over the remaining 25 years in equal monthly amounts.

(iii) Each payment will be applied to interest before principal. Payments by Borrower will be made to the City at Manhattan Beach City Hall or to any subsequent Note Holder, at a different place if required in writing by the Note Holder.

(iv) As described in Section 1 above, the City and Borrower shall each pay 50% of each monthly payment described herein, and are severally (not jointly) liable for such payments on a nonrecourse basis.

4. BORROWER'S RIGHT TO PREPAY

Payments of all or any portion of the Principal may be made at any time before they are due (a "Prepayment") without additional charge. Borrower and City will notify the Note Holder in writing of any Prepayment, but may not designate a payment as a Prepayment if any payments then due under the Note are past due.

The Note Holder will use Prepayments to reduce the amount of Principal owed under this Note by the person or entity making the prepayment (*i.e.*, the City or the Borrower, as applicable), but there will be no changes in the due date or in the amount of the monthly payment unless the Note Holder agrees in writing to those changes.

5. USURY SAVINGS CLAUSE

If a law which applies to this Note and which sets maximum loan charges is interpreted so that the interest or other loan charges collected or to be collected in connection with this Loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already collected which exceed permitted limits will be refunded. The Note Holder may choose to make this refund by reducing the Principal owed under this Note or by making a direct payment. If a refund reduces Principal, the reduction will be treated as a partial Prepayment.

6. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charge for Overdue Payments

Subject to Note Holder's compliance with California Civil Code Section 2954.5, as amended or restated from time to time, if the Note Holder has not received the full amount of any payment due under Section 3(B)(ii) within ten (10) calendar days after the date it is due, the Note Holder may require the Borrower or City (as applicable) to pay a late charge to the Note Holder. The amount of the charge will be three percent (3%) of the overdue payment of principal and interest, and the late charge must be paid within ten (10) days after written demand.

(B) Default

If the full amount of each payment is not paid within ten (10) days after the date it is due, or there is a failure to comply with the deed of trust securing this Note or any other document executed in connection with the loan evidenced by this Note, the Loan evidenced by this Note will be in default, provided, however, that failure to pay accrued interest and outstanding principal on the Maturity Date shall also be a default.

(C) Notice of Default

Upon a default, the Note Holder may send to both Borrower and City a written notice informing them that failure to pay the overdue amount by a certain date or failure to cure any other applicable default (which will be described in the notice) may result in the Note Holder requiring Borrower and City to pay immediately the full amount of Principal which has not been paid and all the interest owed on that amount. That date must be at least fifteen (15) days after the date on which the notice is mailed or delivered by other means; provided, however, that this paragraph shall not apply to sums due on the Maturity Date.

(D) No Waiver By Note Holder

Even if, at a time when there is a default, Note Holder does not require payment immediately in full as described above, Note Holder will still have the right to do so if Borrower or City is in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If Note Holder has required payment immediately in full as described above, Note Holder will have the right to be paid by Borrower and City for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law (i.e., Borrower shall be responsible for collection costs with respect to collection from Borrower, and City will be responsible for collection costs with respect to collection from City). Those expenses include, for example, reasonable attorneys' fees.

7. GIVING OF NOTICES

All notices, requests, demands and other communication given or required to be given hereunder shall be in writing and personally delivered, sent by first class certified mail, postage prepaid, return receipt requested, or sent overnight by a nationally recognized courier service such as Federal Express, addressed to the parties as follows:

To City: City Clerk
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, California 90266

To Borrower: Mr. David Carmany
at the most recent address on file in Employee's
personnel file held by City's Human Resources Department

Delivery of any notice or other communication hereunder shall be deemed made on the date of actual delivery thereof to the address of the addressee, if personally delivered, and on the date indicated in the return receipt or courier's records as the date of delivery or as the date of first attempted delivery, if sent by certified mail or courier service. Any party may change its address for purposes of this Section by giving notice to the other party as herein provided.

8. SECURED NONRECOURSE LOAN

Notwithstanding anything to the contrary in this Note, the Deed of Trust or any other document relating to the Loan, Note Holder's recourse for repayment of the sums owed under this Note or under the Deed of Trust or any other document relating to the Loan shall be limited to the collateral described in the Deed of Trust and in no event shall the Note Holder seek or obtain a deficiency judgment against the Borrower or the City.

9. WAIVERS

Borrower and any other person who has obligations under this Note hereby waive the rights of "presentment" and "notice of dishonor". "Presentment" means the right to require Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require Note Holder to give notice to other persons that amounts due have not been paid.

10. OWNER-OCCUPANCY COVENANT

Except for vacations, illness requiring hospitalization, and periods of construction of or in the Home and other periods during which David Carmany cannot reside in the Home as a result of events outside of the control of Borrower, for so long as the City is the Note Holder, David Carmany shall continuously reside in the Home. In the event that David Carmany fails to continuously reside in the Home (except for such events), City may accelerate the sums outstanding under this Note by giving Borrower written notice of acceleration which shall provide a period of not less than 30 days from the date the Notice is given within which Borrower must pay its share of all sums outstanding under this Note.

David N. Carmany

Laura L. Carmany

CITY OF MANHATTAN BEACH

By: _____
Richard Montgomery
Mayor

Recording Requested By,
And After Recording Return To:

CITY OF MANHATTAN BEACH
1400 Highland Avenue
Manhattan Beach, CA 90266
Attn: City Clerk

APN: 4174-014-032

_____[Space Above This Line For Recording Data]_____

DEED OF TRUST AND FIXTURE FILING

CERTAIN DEFINITIONS

- (A) “Applicable Law” means all applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders as well as all applicable final, non-appealable judicial opinions.
- (B) “Borrower” means, collectively, David N. Carmany and Laura L. Carmany. Borrower and the City of Manhattan Beach (“City”) are the trustor under this Security Instrument.
- (C) “Community Association Dues, Fees, and Assessments” means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.
- (D) “Home” means the land, improvements, and fixtures at 2913 Pacific Avenue, Manhattan Beach, California.
- (E) “Lender” is the CITY OF MANHATTAN BEACH, a municipal corporation organized under the laws of the State of California, whose address is 1400 Highland Avenue, Manhattan Beach, California, 90266, or any subsequent holder of the Note. Lender is the beneficiary under this Security Instrument.
- (F) “Loan” means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.
- (G) “Miscellaneous Proceeds” means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Home; (ii) condemnation or other taking of all or any part of the Home; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Home.
- (H) “Note” means that certain secured Promissory Note signed by Borrower and dated _____, 2011. The Note states that Borrower and City owe Lender Eight Hundred Sixty-Four Thousand and 00/100 Dollars (U.S. \$864,000), plus interest as described in the Note.

(I) "Periodic Payment" means the regularly scheduled amount due for principal and/or interest under the Note, and other obligations specified in the Note.

(J) "Security Instrument" means this Deed of Trust and Fixture Filing, which is dated for reference purposes as of _____, 2011.

(K) "Successor in Interest of Borrower" means any party that has taken title to the Property, whether or not that party has assumed Borrower's obligations under the Note and/or this Security Instrument.

(L) "Trustee" under this Security Instrument is the City of Manhattan Beach, a municipal corporation organized under the laws of the State of California.

SECURED OBLIGATIONS; GRANT OF LIEN

This Security Instrument secures to Lender: (i) the repayment of the Loan evidenced by the Note and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower's and City's covenants and agreements under this Security Instrument and the Note.

For this purpose, Borrower and City irrevocably grant and convey to Trustee, in trust, with power of sale, all of their interest in, under and to the following described property at 2913 Pacific Avenue in Manhattan Beach, California:

The Northerly 42 feet of the Southerly 46 feet of lot 14, in Block 19 of Tract No. 1638, in the City of Manhattan Beach, County of Los Angeles, State of California, as per map recorded in Book 21, Pages 46 and 47 of Maps, in the Office of the County Recorder of said County.

TOGETHER WITH all of their interest in: the improvements now or hereafter erected on said property, all goods which due or are to become fixtures on said property or improvements (including any and all goods purchased by Borrower or City with Loan proceeds as part of repairs, alterations, renovations or replacements relating to the Property or the improvements), all right, title and interest of Borrower and City in, under or to any condominium association or homeowners association or similar organization and all easements, appurtenances, and fixtures now or hereafter a part of said property, and all rents and profits from the property, and all other rights that Borrower and City may have with respect to, or relating to, such property or improvements.

All of the foregoing is collectively referred to in this Security Instrument as the "Property."

COVENANTS

1. Payment of Principal, Interest, and Late Charges. Borrower and City shall pay when due the principal of, and interest on, the debt evidenced by the Note and any late charges due under the Note pursuant to the terms of the Note.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the Note. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current within the period permitted by the Note. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

2. Application of Payments or Proceeds. All payments accepted and applied by Lender shall be applied in the following order of priority: (a) late charges (if any); (b) the interest portion of each Periodic Payment due under the Note; (c) the principal portion of each Periodic Payment due under the Note; (d) other principal under the Note; (e) accrued interest (including additional interest). Such payments shall be applied to each Periodic Payment in the order in which it became due. Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments (unless approved by the Lender).

3. Fixture Filing. This Security Instrument also constitutes a fixture filing to be recorded in the real property records of the County of Los Angeles.

4. Charges; Liens. Borrower shall pay all taxes, charges, fines, and impositions assessed on the Property and Borrower shall pay possessory interest taxes assessed on Borrower's right to possess the Property and Borrower and City shall pay all assessments on the Property (the "Home"), and Community Association Dues, Fees, and Assessments, if any. Borrower and City shall promptly discharge or cause to be released by bonding or otherwise any lien which has priority over this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower and City a notice identifying the lien; within 30 days of the date on which that notice is given, Borrower or City shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

5. Insurance. Borrower shall maintain the hazard/casualty insurance for all of the improvements at 2913 Pacific Avenue in Manhattan Beach, California as described in the Hazard Insurance Authorization & Requirements form executed and delivered by Trustor and flood hazard insurance if the Home is located in a special flood hazard area and insurance is available under the National Flood Insurance Act of 1968, or its successor. A special flood hazard area shall mean land in a flood plain having at least a one percent chance of flooding in any given year, as designated by the Director of the Federal Emergency Management Authority ("FEMA") or its successor. However, in the case of a condominium, such hazard/casualty insurance and flood insurance may be the insurance required by the applicable condominium association. Lender shall be named as loss payee on the policy. Borrower will be responsible for maintaining

this insurance during the term of the Loan. Borrower will provide proof of insurance to Lender upon request.

If Borrower fails to maintain any required insurance, and does not cure the failure within thirty (30) days after written notice from Lender, then Lender may obtain such insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Home, or the contents of the Home, against any risk, hazard or liability and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that, based on market insurance conditions, the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument and Lender may deduct reimbursement from the paycheck of any person who is a Borrower as defined in this Deed of Trust and an employee of Lender. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

Lender shall have the right to copies of the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Home, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee and Borrower further agrees to generally assign rights to insurance proceeds to the holder of the Note up to the amount of the outstanding loan balance.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender and City. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower and City otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Home, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect the Home to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Subject to the foregoing, Lender shall disburse proceeds for the repairs and restoration in a series of progress payments as the work is completed subject to reasonable construction loan disbursement conditions, including confirmation by inspection that the work to be paid for has been properly completed. Lender shall not be required to pay interest on such proceeds provided however that any interest paid to Lender on such proceeds shall become part of the proceeds and applied as part of the proceeds. Fees for public adjusters, or other third parties, retained by Borrower or City shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower or City, as applicable. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds may, at the election of Lender, be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Home, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property, Borrower hereby assigns to Lender: (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Home. Lender may use the insurance proceeds either to repair or restore the Home or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

6. Preservation, Maintenance and Protection of the Property; Inspections. Borrower and City shall not destroy, damage or impair the Home, allow the Home to deteriorate or commit waste on the Home. Whether or not Borrower is residing in the Home, Borrower shall maintain the Home in order to prevent the Property from deteriorating or decreasing in value due to its condition. Borrower shall also maintain, repair and improve the Home in accordance with Applicable Law. Borrower and City may not make material improvements or alterations (meaning improvements or alterations that cost more than \$50,000 and for which a building permit is required but shall not include alterations and improvements made with the Additional Equity as defined in the Housing Assistance Agreement between the City of Manhattan Beach and David Carmany and Laura Carmany) to the Home without Lender's consent in its proprietary capacity as a lender, which shall not be unreasonably withheld. Borrower and City shall promptly repair the Home if damaged to avoid further deterioration or damage, provided that if insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Home, Borrower and City shall be responsible for repairing or restoring the Home only if Lender has released such proceeds for such purposes; however, if the insurance or condemnation proceeds are not sufficient to repair or restore the Home, Borrower and City shall nevertheless be obligated to promptly commence and diligently complete such repair or restoration. Lender or its agent may make reasonable entries upon and inspections of the Home. If Lender has reasonable cause, Lender may inspect the interior of the improvements on the Home; but Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

7. Material Misrepresentations. Borrower shall be in default if Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Home as Borrower's principal residence.

8. Protection of Lender's Interest in the Property and Rights Under this Security Instrument. If (a) Borrower or City fails to perform any of the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might adversely affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower

has abandoned the Home, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Home, and securing and/or repairing the Home. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its rights in interest under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Home includes, but is not limited to, entering the Home to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section. Any amounts disbursed by Lender under this Section shall become additional debt of Borrower and City secured by this Security Instrument. These amounts shall bear interest at the rate of ten percent per annum from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

9. Assignment of Miscellaneous Proceeds; Forfeiture. All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender. If the Home is damaged, Miscellaneous Proceeds shall be applied to restoration or repair of the Home as described in Section 5, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect the Home to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Subject to the foregoing, Lender shall pay for the repairs and restoration in a series of progress payments as the work is completed. Lender shall not be required to pay Borrower or City any interest on such Miscellaneous Proceeds provided, however, that any interest actually paid to Lender on such proceeds shall become part of the Miscellaneous Proceeds and shall be applied as provided herein. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with half of the excess, if any, paid to Borrower and half to City. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with half of the excess, if any, paid to Borrower and half to City.

If the Home is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Home or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Home shall be applied in the order provided for in Section 2.

10. Borrower Not Released; Forbearance By Lender Not a Waiver. Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or City or any Successors in Interest of Borrower or City. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or City or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or City or any Successors in Interest of Borrower or City. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or City or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

11. Nonrecourse; Successors and Assigns. Notwithstanding anything to the contrary in this Deed of Trust, the Note or any other document relating to the loan evidenced by the Note, Lender's only recourse against Borrower and City for performance of the obligations of Borrower and City under this Security Instrument shall be limited to the Property and in no event shall Lender seek or obtain a deficiency judgment against Borrower or City except in the event of a material misrepresentation by the Borrower in connection with Lender's making the loan. Subject to the provisions of Section 15, any Successor in Interest of Borrower or City who assumes Borrower's or City's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's or City's (as applicable) rights and benefits under this Security Instrument. Borrower and City shall not be released from their obligations and liability under this Security Instrument unless Lender agrees to such release in writing, but their liability and their successors in interest's liability shall be subject to the preceding sentence. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender.

12. Notices. All notices given by Borrower, City or Lender in connection with this Security Instrument must be in writing and shall be given in accordance with the Note.

13. Governing Law; Severability; Rules of Construction. This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

14. Due on Sale. If all or any part of the Property or any interest in the Property is sold or transferred without Lender's prior written consent, all sums outstanding under the Note shall become due and payable without notice.

15. Right to Reinstate After Acceleration. If Borrower and City meet certain conditions, they shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security Instrument; (b) such other period as Applicable Law might specify for the termination of the right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower or City: (a) pay Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pay all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) take such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's and City's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower and City pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 14.

16. Hazardous Substances. As used in this Section 16: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower and City shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property or the Home. Borrower and City shall not do or (to the extent within the Borrower's or City's reasonable control, as applicable) permit anyone else to do anything affecting the Home (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Home. The preceding two sentences shall not apply to the presence, use, or storage in the Home of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Home (including, but not limited to, hazardous substances in consumer products).

Borrower and City shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party

involving the Home and any Hazardous Substance or Environmental Law of which it has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance of which it has actual knowledge, and (c) any condition caused by the presence, use or release of a Hazardous Substance known to it which adversely affects the value of the Home. If Borrower or City learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Home is necessary, then it shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

17. Acceleration; Remedies. Lender shall give notice to Borrower and City prior to acceleration following Borrower's or City's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 14). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than thirty (30) days from the date the notice is given, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice may result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower and City of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower or City to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided herein, including, but not limited to, reasonable attorneys' fees and costs of title evidence.

If Lender invokes the power of sale, Lender shall execute or cause Trustee to execute a written notice of the occurrence of an event of default and of Lender's election to cause the Property to be sold. Trustee shall cause this notice to be recorded in each county in which any part of the Property is located. Lender or Trustee shall mail copies of the notice as prescribed by Applicable Law to Borrower and to City and to the other persons prescribed by Applicable Law. Trustee shall give public notice of sale to the persons and in the manner prescribed by Applicable Law. After the time required by Applicable Law, Trustee, without demand on Borrower or City, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in any order Trustee determines. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser a Trustee's deed conveying the Property without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

18. Reconveyance. Upon payment of all sums secured by this Security Instrument, Lender shall request Trustee to reconvey the Property and shall surrender this Security Instrument and all notes evidencing debt secured by this Security Instrument to Trustee. Trustee shall reconvey the Property without warranty to the person or persons legally entitled to it. Lender may charge such person or persons a reasonable fee for reconveying the Property, but only if the fee is paid to a third party (such as the Trustee) for services rendered and the charging of the fee is permitted under Applicable Law. If the fee charged does not exceed the fee set by Applicable Law, the fee is conclusively presumed to be reasonable.

19. Substitute Trustee. Lender, at its option, may from time to time appoint a successor trustee to any Trustee appointed hereunder by an instrument executed and acknowledged by Lender and recorded in the office of the Recorder of the county in which the Property is located. The instrument shall contain the name of the original Lender, Trustee, Borrower and City, the book and page where this Security Instrument is recorded and the name and address of the successor trustee. Without conveyance of the Property, the successor trustee shall succeed to all the title, powers and duties conferred upon the Trustee herein and by Applicable Law. This procedure for substitution of trustee shall govern to the exclusion of all other provisions for substitution.

20. Statement of Obligation Fee. Lender may collect a fee not to exceed the maximum amount permitted by Applicable Law for furnishing the statement of obligation as provided by Section 2943 of the Civil Code of California.

David N. Carmany

Laura L. Carmany

CITY OF MANHATTAN BEACH

By: _____
Richard Montgomery
Mayor

State of California)
County of Los Angeles)

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)

State of California)
County of Los Angeles)

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)

State of California)
County of Los Angeles)

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)

Lender: CITY OF MANHATTAN BEACH

Borrower(s): DAVID N. CARMANY and LAURA L. CARMANY

Property Address: 2913 PACIFIC AVENUE, MANHATTAN BEACH, CALIFORNIA

HAZARD INSURANCE DISCLOSURE

Pursuant to California Civil Code § 2955.5

NO LENDER SHALL REQUIRE A BORROWER, AS A CONDITION OF RECEIVING OR MAINTAINING A LOAN SECURED BY REAL PROPERTY, TO PROVIDE HAZARD INSURANCE COVERAGE AGAINST RISKS TO THE IMPROVEMENTS ON THAT REAL PROPERTY IN AN AMOUNT EXCEEDING THE REPLACEMENT VALUE OF THE IMPROVEMENTS ON THE PROPERTY.

THIS DISCLOSURE IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND.

By signing below, I hereby acknowledge receipt of a true copy of this disclosure.

Date: _____, 2011
Print Name: David N. Carmany

Date: _____, 2011
Print Name: Laura L. Carmany

HAZARD INSURANCE AUTHORIZATION & REQUIREMENTS

Date: _____, 2011

Escrow Number: 047478AB

Escrow Company: Brighton Escrow, Inc.

Lender: CITY OF MANHATTAN BEACH

Borrower's Name(s): DAVID N. CARMANY and LAURA L. CARMANY

Property Address: 2913 PACIFIC AVENUE, MANHATTAN BEACH, CALIFORNIA

Listed below are Lender's policies and procedures, and minimum requirements, for the Hazard Insurance which must be provided covering the subject property. If the property is a condominium, than the casualty insurance required by the applicable condominium insurance will satisfy Lender's casualty insurance requirements.

1. Coverage must be in an amount at least equal to the replacement value of improvements on the property.
2. The insurance company providing coverage must have an "A" rating or better in the latest edition of "Best's Insurance Guide," must be licensed to do business in the State in which the property is located, and must be licensed to transact the lines of insurance required in this transaction.
3. Policy shall provide at least "Broad Form" coverage on properties of one to four units, and at least "Vandalism & Malicious Mischief" on properties with over four units, with no deviation. Homeowners policies must provide coverage equal to "HO2" form.
4. Policies must contain deductibles on any peril of NOT MORE THAN \$1,000.00.
5. Policy must provide coverage for a term of at least one year. Premiums may be paid on an annual installment basis only if the policy provides that the lender will be notified in writing of cancellation 30 days prior to expiration of coverage, for any cause. Binders are not acceptable.
6. If any existing policy is provided which will expire within six (6) months from the date of the recording of the deed of trust for the loan, said policy must be renewed for the required term as noted in paragraph 5 above.
7. All forms and endorsements pertaining to the Lender's requirements must appear on the "Declaration Page" of policy.
8. New policies must be accompanied by a signed "Broker of Record Authorization" if borrower(s) has/have changed Insurance Agents.
9. Verification of renewal of insurance policies (such as certificates of insurance for the renewals) must be in Lender's office at least thirty days prior to the expiration date of the policy. If this requirement is not met, **LENDER AND ITS SUCCESSORS OR ASSIGNS MAY AT THEIR OPTION, BUT WITHOUT THE OBLIGATION TO DO SO, PROVIDE COVERAGE TO REPLACE ANY EXPIRING POLICIES WHICH HAVE NOT BEEN PROPERLY RENEWED.** The premium for such coverage will be remitted promptly by the undersigned, or Lender may charge Borrower's account for the cost thereof.

10. Lender's loss Payable Endorsement 438 BFU to be affixed to policy in favor of:

CITY OF MANHATTAN BEACH
ITS SUCCESSORS AND/OR ASSIGNS

11. The property address and the insured's names must be designated on the policy exactly as on the ALTA Title Policy or CLTA Title Policy (whichever is issued).
12. The effective date of new policies, endorsements, and/or assignments shall be as of, or prior to, the date of recording of this loan.
13. Please notify your agent to forward future premium notices directly to you.

AN ACCEPTABLE POLICY, WITH ENDORSEMENTS AND/OR ASSIGNMENTS (OR INSURANCE CERTIFICATION) MUST BE FORWARDED TO AND RECEIVED BY LENDER BEFORE THIS LOAN CAN BE FUNDED; OTHERWISE, LENDER MAY BE FORCED TO PLACE INTERIM COVERAGE ON THE PROPERTY AT AN ADDITIONAL COST TO THE BORROWER(S).

Each of the undersigned acknowledges that he or she has read and understands the foregoing provisions and insurance requirements. This authorization will remain irrevocable for the undersigned as owner(s) of the subject property, and or any assignees, for as long as this loan remains on the subject property.

David N. Carmany

Laura L. Carmany

CALIFORNIA PER DIEM INTEREST DISCLOSURE

Lender: CITY OF MANHATTAN BEACH

Borrower(s): DAVID N. CARMANY and LAURA L. CARMANY

Property Address: 2913 PACIFIC AVENUE, MANHATTAN BEACH, CALIFORNIA

In this disclosure, the terms "I," "me," "my" and "mine" refer to the above named Borrower(s), and the terms "you" and "your" refer to the above named Lender.

I understand and acknowledge that pursuant to applicable California law:

1. I may not be required to pay interest on my loan for any period that meets any of the following requirements:
 - (a) Is more than one day prior to the date that the loan proceeds are disbursed from escrow;
 - (b) In the event of no escrow, if a request for recording is made in connection with the disbursement, if more than one day prior to the date the loan proceeds are disbursed to me, to a third party on my behalf, or to the Lender to satisfy an existing obligation of mine; or
 - (c) In all other circumstances where there is no escrow and no request for recording, if prior to the date funds are disbursed to me, to a third party on my behalf of the Borrower, or to the Lender to satisfy an existing obligation of mine.

2. Notwithstanding the foregoing, interest may commence to accrue on the business day immediately preceding the day of disbursement, for obligations described in subparagraphs (a) and (b) of paragraph 1 above, if both of the following occur:
 - (a) I affirmatively request, and you agree, that the disbursement will occur on Monday or a day immediately following a bank holiday; and
 - (b) The following information is disclosed to me in writing:
 - i. the amount of additional per diem interest charged to facilitate disbursement on Monday or the day following a holiday, as the case may be, and
 - ii. that it may be possible to avoid the additional per diem interest charge by disbursing the loan proceeds on a day immediately following a business day.

My choice is indicated below:

- Please arrange for the disbursement of the loan proceeds on a day immediately following a business day.
- Please arrange for the disbursement of the loan proceeds on _____, _____, a date that is either a Monday or a day immediately following a bank holiday, in the amount needed from me in order to close escrow per the draft settlement statement prepared by the escrow. I understand that in order to accommodate disbursement on that date, I will be charged, and I agree to pay, interest for _____ at the rate described in the loan documents on the sums disbursed. I also understand that it may be possible to avoid this additional per diem interest charge by disbursing the loan proceeds on a day immediately following a business day.

By signing below, I acknowledge that I have received and read this disclosure prior to the time funds are placed in escrow. This disclosure is neither a contract nor a commitment to lend.

Date: _____, 2011
Print Name: David N. Carmany

Date: _____, 2011
Print Name: Laura L. Carmany

LENDER'S ESCROWCLOSING INSTRUCTIONS

_____, 2011

VIA FED EX

Brighton Escrow, Inc.
970 Artesia Blvd.
Hermosa Beach, CA 90254
Attn: Afshan Bowers, Escrow Officer

Orange Coast Title Company
640 N. Tustin Ave, Suite 106
Santa Ana, CA 92705
Attn: Winston Nakagawa, Title Officer

Re: Escrow No. 047478AB; Order No. 305-1218221-19

Ladies and Gentlemen:

This letter constitutes the escrow/closing instructions of the CITY OF MANHATTAN BEACH, a municipal corporation ("**Lender**") in connection with a \$864,000.00 loan (the "**Loan**") that Lender is making to David N. Carmany and Laura L. Carmany (collectively, "**Borrower**"), to be secured by the Borrower's interest in the land described in the title report prepared by Orange Coast Title Company under Order Number 305-1218221-19 and the improvements thereon (the "**Property**").

1. **DOCUMENTS.** We have enclosed, or you will receive from the Borrower, a Deed of Trust and Fixture Filing dated in _____ 2011, executed and acknowledged by the Borrower (the "**Deed of Trust**"), and counterparts of a Memorandum of Tenancy in Common Agreement, duly executed by both parties and acknowledged (the "**Memo**").

2. **FUNDS.** Lender shall wire transfer to you, pursuant to the wire transfer instructions set forth below, Loan funds in the amount of \$864,000 (the "**Loan Funds**") and equity funds in the amount of [\$108,000] [PLUS 50% OF BUYER'S CLOSING COSTS] (the "**Equity Funds**").

Bank	_____
Branch	_____
Account Number	_____
ABA/Routing Number	_____
Credit To	_____
Attention:	_____ (____ Escrow No. _____)

3. **CLOSING INSTRUCTIONS.** Provided that all of the conditions set forth in Section 4 have been satisfied, you shall record the Memo and then the Deed of Trust in the Official Records of Los Angeles County, California (the "**Official Records**"); thereafter, you shall

disburse the Loan Funds and the Equity Funds in accordance with the Settlement Statement approved and initialed by Lender and Borrower.

4. CONDITIONS PRECEDENT TO CLOSING. You are hereby authorized to record the Deed of Trust in the Official Records when and only when:

- 4.1 You have in your possession the Deed of Trust (fully executed and acknowledged and in recordable form);
- 4.2 You have received the Loan Funds and the Equity Funds;
- 4.3 You have prepared and delivered to Borrower and Lender a preliminary settlement statement describing all of the costs and expenses related to the Loan and the purchase of the Property by the Borrower (the "**Settlement Statement**") (such fees, costs and expenses to be paid with loan proceeds, by Borrower or with Lender's own funds), AND SHOWING THAT \$65,000 IS TO BE RETURNED TO THE LENDER (I.E., THE CITY) TO HOLD AND DISBURSE FOR FUTURE IMPROVEMENTS TO THE PROPERTY, and you have received Lender's and Borrower's written approval thereof.
- 4.4 Orange Coast Title Insurance Company is irrevocably committed to issue to Lender: (i) an American Land Title Association ("**ALTA**") Loan Policy in the amount of \$_____ insuring that the Deed of Trust encumbers the Borrower's fee interest in the Property as of the date of recordation of the Deed of Trust [in the form of the pro-forma title policy attached hereto as "Exhibit A"] (collectively, the "**Lender Title Policy**"); and (ii) an ALTA owner's policy insuring that the Lender also has a fifty percent (50%) tenancy-in-common interest in the Property in the form of the pro-forma title policy attached hereto as Exhibit "B" (collectively, the "**Owner Title Policy**").

5. OTHER MATTERS.

- 5.1 You shall deliver to the undersigned: (a) a conformed copy of each of the recorded Deed of Trust and the Memo within five (5) days after the closing, and (b) one (1) original and one (1) copy of the title policies within ten (10) days after the closing.
- 5.2 If you cannot comply with all of the foregoing by _____ on _____, 2011, you are not authorized to record the Deed of Trust or Memo or disburse any funds; in such event, you shall call the undersigned at _____ without delay.
- 5.3 These instructions may be changed or revoked at any time by oral instructions from the undersigned, to be followed by written confirmation.

- 5.4 Your recordation of the Deed of Trust or Memo in the Official Records or use, application or delivery of any Loan Funds or Equity Funds shall be deemed your acceptance of these instructions and your irrevocable agreement to comply therewith; however, we request that you sign and return (via PDF/email to _____) a copy of this letter indicating your acceptance of and agreement to comply with all of the instructions set forth in this letter.

Very truly yours,

cc: Laurence S. Wiener, Esq.

ESCROW ACKNOWLEDGMENT AND AGREEMENT

The undersigned acknowledges and agrees that: (1) the person executing this Acknowledgment and Agreement on behalf of Brighton Escrow, Inc. ("Escrow Company") is duly authorized to do so; and (2) Escrow Company will otherwise act in strict accordance with the foregoing Escrow/Closing instructions.

BRIGHTON ESCROW, INC.

By: _____
Afshan Bowers, Escrow Officer

Dated: _____, 2011

TITLE ACKNOWLEDGMENT AND AGREEMENT

The undersigned acknowledges and agrees that: (1) the person executing this Acknowledgment and Agreement on behalf of Orange Coast Title Company of Southern California ("Title Company") is duly authorized to do so; (2) Orange Coast Title Company is irrevocably committed to cause the Title Policy to be issued in the form required by the foregoing Escrow/Closing Instructions; and (3) Title Company will otherwise act in strict accordance with the foregoing Escrow/Closing instructions.

ORANGE COAST TITLE COMPANY OF
SOUTHERN CALIFORNIA

By: _____
Winston Nakagawa, Title Officer

Dated: _____, 20__

EXHIBIT "A"

PRO-FORMA LENDER'S TITLE POLICY

(Attached.)

EXHIBIT "B"

PRO-FORMA OWNER'S TITLE POLICY

(Attached.)



**AGREEMENT BETWEEN THE CITY OF MANHATTAN BEACH
AND DAVID CARMANY AND LAURA CARMANY
FOR TENANCY IN COMMON AT 2913 PACIFIC AVENUE**

THIS AGREEMENT BETWEEN THE CITY OF MANHATTAN BEACH AND DAVID CARMANY AND LAURA CARMANY FOR TENANCY IN COMMON AT 2913 PACIFIC AVENUE (this "Agreement") is dated as of _____, 2011 [TO BE DATED THE DATE OF THE CLOSE OF ESCROW] and is entered into by and between the CITY OF MANHATTAN BEACH, a municipal corporation ("City"), and DAVID CARMANY and LAURA CARMANY (collectively, the "Carmanys"). The City and the Carmanys are sometimes individually referred to herein as a "party".

RECITALS:

WHEREAS, City owns an undivided fifty percent (50%) tenancy-in-common interest in the land described on Exhibit "A" attached and the improvements thereon (collectively, the "**Property**") which have a street address of 2913 Pacific Avenue in the City of Manhattan Beach, County of Los Angeles, State of California; and

WHEREAS, the Carmanys own an undivided fifty percent (50%) tenancy-in-common interest in the Property; and

WHEREAS, the parties desire to provide for the orderly joint ownership of the Property, and therefore desire to agree upon their respective rights and obligations as joint owners of the Property.

AGREEMENT:

NOW, THEREFORE, in consideration of the promises and the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Improvements. The Carmanys shall not materially alter or make any material improvements to the Property without the prior written consent of the City in its proprietary capacity, which will not be unreasonably withheld. As used in the preceding sentence, the terms "materially alter" and "material improvements" shall mean any alteration or improvement that costs more than \$50,000 and for which a building permit is required and shall not include alterations and improvements made with the Additional Equity as defined in the Housing Assistance Agreement between the City of Manhattan Beach and David Carmany and Laura Carmany.

2. Mutual Waiver of Partition Rights. EACH PARTY HERETO, FOR THE MUTUAL BENEFIT AND PROTECTION OF BOTH PARTIES, HEREBY SPECIFICALLY WAIVES AND RELEASES ANY AND ALL RIGHT TO BRING ANY ACTION FOR PARTITION OR SALE OF THE PROPERTY OR ANY PART THEREOF, AND SPECIFICALLY WAIVES ITS RIGHTS IN CONNECTION WITH ANY SUCH ACTION TO FILE A NOTICE OF LIS PENDENS AGAINST THE PROPERTY OR ANY INTEREST THEREIN.

3. Occupancy; Use; Leasing. The Carmanys shall have the right to use and occupy the entire Property, but only as their principal residence. The Carmanys shall not lease the Property.

4. Maintenance and Repair. The Carmanys shall be responsible for the maintenance, safety, cleanliness and repair of the Property.

5. Insurance; Damage. The Carmanys shall maintain reasonable home casualty insurance on all improvements and homeowner's liability insurance for the Property and shall deliver evidence thereof to City upon written request. The liability insurance shall name the City as additional insured. All casualty insurance proceeds shall be used to repair improvements, subject to any applicable terms of any deed of trust held by City. The Carmanys shall pay for all costs of rebuilding or repair not covered by insurance, unless the damage was caused by City, in which case City shall pay such costs. The Carmanys shall promptly repair all damage.

6. Real Property Taxes. The Carmanys shall pay (i) all real property taxes on the Carmanys' interest in the Property; and (ii) all assessments (including those assessed on or allocable to the City's interest). The City shall reimburse the Carmanys within thirty (30) days after written demand, accompanied by copies of bills and evidence of payment, for fifty percent of the total assessments. The City will pay all property taxes (if any) on the City's interest in the Property. The City will pay all possessory interest taxes assessed to the City or the Carmanys after receipt from the Carmanys of the applicable bills for possessory interest taxes.

7. Utilities. The Carmanys shall arrange and pay for all utilities.

8. Restrictions on Transfer. Except for any deed of trust in favor of City, neither City nor the Carmanys shall have the right, at any time, to sell or otherwise convey title to all or any portion of or interest in its interest in the Property unless the other shall consent in writing to the same.

9. Purchase Options. The Carmanys may elect to purchase the City's interest in the Property at any time by giving written notice of such election to the City. The City may elect to purchase the Carmanys' interest in the Property during a thirty (30) day period that is between sixty (60) days and ninety (90) days after the end of Mr. David Carmany's employment by City by giving notice of the election to the Carmanys. Following delivery of such a notice by either party, the Carmanys and City shall promptly open an escrow with an escrow company selected by City, and the buyer shall deposit the applicable purchase price (as described below) within one (1) business day prior to the scheduled close of escrow. Escrow shall close no later than ninety (90) days following the delivery of the applicable notice of election to purchase.

The sale shall be on the following terms: (A) title shall be conveyed by grant deed on an AS IS, WITH ALL FAULTS basis, and without representation or warranty of any kind except for the implied warranties in the grant deed, and except for any legal obligation that the seller, as a seller of real property in California, may have to disclose material facts regarding the Property, (B) there shall be no contingencies or conditions to the close of escrow other than: (i) the delivery of appropriate documents (including any applicable tax withholding affidavits); (ii) the removal of any monetary liens (which may occur concurrently with the closing) suffered or

placed on the interest by the seller (other than the City's deed of trust); and (iii) the delivery of the grant deed (and acceptance certificate if the City is the purchaser). If the City is the purchaser, then the Carmanys shall remove all personal property from the Property and vacate the Property by the close of escrow and this Agreement shall be of no further force or effect except as to obligations arising hereunder prior to the close of escrow. Both parties shall promptly execute such documents and perform such other acts as may be necessary or reasonable to accomplish the sale.

The purchase price for a purchase of an interest shall be fifty percent (50%) of the Fair Market Value (hereinafter defined) of the Property. However, if City is the buyer, then City may also deduct the amount of any unpaid taxes and assessments and the outstanding principal and accrued interest of the City's loan to the Carmanys from the purchase price.

The Fair Market Value of the Property shall be determined by an independent MAI appraiser jointly selected by City and the Carmanys. If they are unable to agree on the selection of an appraiser within thirty (30) days following delivery of an option exercise notice, then each of the two parties shall select an independent MAI appraiser within twenty (20) days after expiration of the thirty (30) day period. The two appraisers so selected shall each independently appraise the Premises and, as long as the difference in the two appraisals does not exceed five percent (5%) of the lower of the two appraisals, the fair market value shall be conclusively deemed to equal the average of the two appraisals. The determination of such appraisers shall be binding on the parties. If either party fails to select an independent MAI appraiser within the time required by this paragraph, the fair market value of the Property shall be conclusively deemed to equal the appraisal of the independent MAI appraiser timely selected by the other.

If the difference between the two appraisals referred to above exceeds five percent (5%) of the lower of the two appraisals, the two appraisers selected shall select a third MAI appraiser who shall also independently and promptly appraise the Property and shall deliver its appraisal to the other appraisers and to each party. In such case, the fair market value of the Property shall be the average of the two closest appraisals. The determination of such appraisers shall be binding on the parties.

Each appraiser shall have at least ten (10) years experience appraising residential real estate in the City of Manhattan Beach. Each party shall pay the cost of its own appraiser and 50% of the cost of the third appraiser, if any.

Each party shall pay 50% of the escrow charges. The seller shall pay for the cost of a CLTA owner's title policy (or appropriate endorsement to the buyer's existing owner's policy) in the amount of the purchase price insuring the buyer. The seller shall pay documentary transfer taxes and any recording charges.

If one party purchases the other party's interest in the Property, then this Agreement shall terminate except for obligations arising prior to the acquisition. The buying party shall have the remedy of specific performance with respect to any failure by the selling party to sell under this Section.

10. Option to Cause Property to be Sold. If neither party elects to acquire the other party's interest in the Property under Section 9 above, then the City will have ten (10) days after the expiration of the thirty (30) day period provided to the City in Section 9 to cause the Property to be sold. Such election shall be by written notice to the Carmanys. If the City fails to exercise its option within that ten (10) day period, then the Carmanys may elect at any time to cause the Property to be sold. Such election shall be by written notice to City. If either party elects to cause the Property to be sold, then the net proceeds (calculated after deducting brokerage commissions payable by seller, the amount of a lien in favor of City encumbering the Carmanys interest, and the seller's share of escrow costs, title insurance costs, transfer taxes, recording fees, and prorated Property costs) shall be shared in proportion to the parties' respective percentage interests in the Property. The party giving the election notice shall list the Property for sale with a local residential real estate broker selected by such party and such party shall have the sole and exclusive right to select among competing arms length offers. Each party will fully cooperate with the other, with the escrow holder and with the broker in connection with the sale. The party giving the election notice shall have the right of specific performance against the other party with respect to the obligations of such other party under this Section.

11. Further Encumbrancing. Neither the City nor the Carmanys shall encumber their interest (except that the Carmanys may encumber their interest with a deed of trust in favor of the City) without the prior written consent of the other party.

12. Default; Remedies. If either Party fails to perform any of its obligations under this Agreement ("Defaulter"), the other Party ("Non-Defaulter") shall have the right to give the Defaulter a written notice of default setting forth the nature of the default. If the default is not cured within five (5) business days in the case of a monetary default, or thirty (30) days in the case of a non-monetary default (provided that if the non-monetary default cannot be cured within such thirty (30) day period despite all commercially reasonable efforts, then the Defaulter shall not be in default if the Defaulter promptly commences such efforts and thereafter diligently prosecutes the same to completion of the cure), then the Non-Defaulter shall have all remedies available to it at law or in equity, including the right to damages.

13. Indemnity. The Carmanys shall indemnify, defend (with counsel reasonably satisfactory to City) and hold harmless City from and against any and all claims, demands, damages, losses, liabilities, penalties, costs and expenses, including reasonable attorneys' fees and costs arising out of the use of the Property by the Carmanys or their invitees, licensees or contractors, and all other activities and events on the Property, except activities of City, and after sale or assignment of the promissory note evidencing any loan made by City to purchase the Property, all losses, damages, costs and expenses resulting from the Carmanys failure to make any payment required of them under such promissory note. The Carmanys' obligations under this Section shall survive any termination of this Agreement with respect to obligations and liabilities arising prior to such termination.

14. Miscellaneous.

(a) Governing Law. This Agreement and the obligations of the parties hereunder shall be interpreted, construed and enforced in accordance with the laws of California.

(b) Entire Agreement. This Agreement contains the entire agreement between the parties relative to the parties' Tenancy in Common Interests. No modifications or changes herein or hereof shall be binding upon any party unless set forth in a document duly executed by, or on behalf of, such party.

(c) Waiver. No consent or waiver, express or implied, by any party to or of any breach or default by any other party in performance by such other party of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such other party hereunder. Failure on the part of any party to complain of any act or failure to act of any other party or to declare any other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder.

(d) Successors and Assigns. Subject to the restrictions on transfers and encumbrances set forth herein, this Agreement shall inure to the benefit of and be binding upon the undersigned parties and their respective successors and permitted assigns.

(e) Notices. All notices, requests, demands and other communication given or required to be given hereunder shall be in writing and personally delivered, sent by first class certified mail, postage prepaid, return receipt requested, or sent overnight by a nationally recognized courier service such as Federal Express, addressed to the parties as follows:

To City: City Clerk
 City of Manhattan Beach
 1400 Highland Avenue
 Manhattan Beach, California 90266

To Employee: Mr. David Carmany
 at the most recent address on file in Employee's
 personnel file held by City's Human Resources Department

Delivery of any notice or other communication hereunder shall be deemed made on the date of actual delivery thereof to the address of the addressee, if personally delivered, and on the date indicated in the return receipt or courier's records as the date of delivery or as the date of first attempted delivery, if sent by certified mail or courier service. Any party may change its address for purposes of this Section by giving notice to the other party as herein provided.

(f) Counterparts. This Agreement may be executed by facsimile and in one or more counterparts, all of which taken together shall be deemed to be one original.

(g) Time of Essence. Time is of the essence of each and every provision of this Agreement.

(h) No Partnership or Agency. Neither this Agreement nor the operation of the Property shall cause the parties to be partners or joint venturers, and no party shall have the authority to bind, or shall otherwise be, an agent for any other party with respect to a party's ownership interest in this Property.

(i) City Actions. Neither the City's execution of this Agreement nor any consent or approval given by City hereunder in its capacity as a party hereto shall waive, abridge, impair or otherwise affect the City's rights and powers as a governmental entity.

15. Recordation. A Memorandum of this Agreement in the form attached hereto as Exhibit "B" shall be executed, acknowledged, delivered and recorded by the parties in the Official Records of Los Angeles County.

16. City Cure Right. In the event the Carmanys fail to pay or perform any of their obligations under this Agreement within thirty (30) days after written notice from the City, the City may pay/perform the same, and the Carmanys shall reimburse the city for the costs thereof within ten (10) days after written demand from the City.

17. Interest; Late Charges. If any payment to be made by one party to the other is not paid when due, it shall bear interest at the lesser of: (i) ten percent (10%) per annum, or (ii) the highest rate permitted by law. If any payment to be made by one party to the other is not paid within ten (10) business days after written notice that it is past due, the party that failed to make the payment shall pay to the other party three percent (3%) of the amount due (excluding interest) as a late charge. Each party acknowledges, stipulates and agrees that such late payment of any sums due will cause the other party to incur costs not contemplated by this Agreement, the exact amount of such costs being extremely difficult and impracticable to determine. Such costs include, without limitation, processing and accounting charges, and cash-flow/budgeting costs, as well as other material adverse effects and damages. Therefore, the parties have agreed upon the late charge described above as liquidated damages for such costs and effects and damages.

18. Joint and Several Liability. The obligations of the Carmanys under this Agreement are joint and several.

19. City Inspection Rights. City shall have the right to inspect the Property at reasonable times upon twenty-four (24) hours' prior written notice to the Carmanys.

20. Mutual Cure Rights as to Assigned City Loan. If City sells or otherwise assigns any loan it shall have made to the Carmanys that is secured by the Property, then each party shall have the right to cure any failure by the other party to make payments or perform other acts required of such other party under the applicable loan documents. The party which failed to pay or perform shall reimburse the curing party for the costs of curing the default within ten (10) business days after written demand.

IN WITNESS WHEREOF, this Agreement is executed effective as of the date first set forth above.

CITY:

CITY OF MANHATTAN BEACH,
a municipal corporation

By: _____

Print Name: _____

Mayor

ATTEST:

(SEAL)

_____,
City Clerk

Approved as to Form:

CARMANYS:

David Carmany

Laura Carmany

EXHIBIT "A"

LEGAL DESCRIPTION OF LAND

The Northerly 42 feet of the Southerly 46 feet of lot 14, in Block 19 of Tract No. 1638, in the City of Manhattan Beach, County of Los Angeles, State of California, as per map recorded in Book 21, Pages 46 and 47 of Maps, in the Office of the County Recorder of said County.

EXHIBIT "B"

FORM OF MEMORANDUM OF AGREEMENT AND PURCHASE RIGHTS

(Attached.)

RECORDING REQUESTED BY, AND
WHEN RECORDED RETURN TO:

City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266
Attn: City Clerk

[Space Above For Recorder's Use Only]

The undersigned declare that this Memorandum of Lease is exempt from Recording Fees pursuant to California Government Code Section 27383.

MEMORANDUM OF AGREEMENT AND PURCHASE RIGHTS

THIS MEMORANDUM OF AGREEMENT (this "Memorandum") is dated as of _____, 2011, and is entered into by and between the CITY OF MANHATTAN BEACH, a municipal corporation ("City"), and DAVID CARMANY and LAURA CARMANY (collectively, the "Carmanys").

RECITALS

A. The Carmanys and the City have entered into that certain "Agreement Between the City of Manhattan Beach and David and Laura Carmany for Tenancy In Common at 2913 Pacific Avenue" (the "Agreement"), pursuant to which City and the Carmanys have set forth their respective rights and obligations with respect to their tenancy-in-common interests in the land described on Exhibit A attached hereto and the improvements thereon, in the City of Manhattan Beach, County of Los Angeles, State of California, commonly known as 2913 Pacific Avenue, Manhattan Beach, California.

B. City and the Carmanys now desire to enter into and record this Memorandum to ensure that the rights and obligations of the Agreement bind successors-in-interest to the City's and the Carmanys' tenancy-in-common interests.

AGREEMENT

1. **Term of Agreement.** The Agreement commences on _____, 2011, and shall remain in effect in perpetuity, unless terminated pursuant to the terms of the Agreement, or by a person or entity which has acquired all tenancy-in-common interests in the Property.
2. **Purchase Rights.** In addition to setting forth the parties' rights and obligations with respect to their tenancy in common in the Property, the Agreement gives each party certain rights and obligations with respect to purchasing the other party's tenancy-in-common interest.
3. **Purpose.** This Memorandum is prepared for the purposes of recordation only and in no way modifies the terms and conditions of the Agreement. In the event any provision of this Memorandum is inconsistent with any term or condition of the Agreement, the term or condition of the Agreement shall prevail.

4. Counterparts. This Memorandum may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, taken together, shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum as of the date first written above.

CITY:

CARMANYS:

THE CITY OF MANHATTAN BEACH

By: _____
Print Name: _____
Mayor

David Carmany

Laura Carmany

ATTEST:

_____ (SEAL)

By: _____

City Clerk

ACKNOWLEDGMENT

State of California)
County of _____)

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

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 _____
Signature of Notary Public

(Seal)

ACKNOWLEDGMENT

State of California)
County of _____)

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

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 _____
Signature of Notary Public

(Seal)

ACKNOWLEDGMENT

State of California)
County of _____)

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

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)
Signature of Notary Public

EXHIBIT "A"

LEGAL DESCRIPTION OF LAND

The Northerly 42 feet of the Southerly 46 feet of lot 14, in Block 19 of Tract No. 1638, in the City of Manhattan Beach, County of Los Angeles, State of California, as per map recorded in Book 21, Pages 46 and 47 of Maps, in the Office of the County Recorder of said County.

D



BRIGHTON ESCROW INC.

970 Artesia Blvd. • Hermosa Beach, CA 90254
(310) 545-8484 • Fax: (310) 374-9865
E-Mail: afshan.bowens@brightonescrow.com

Afshan Bowens
Escrow Officer

Date: January 12, 2011
Escrow No.: 047478AB

AMENDED ESCROW INSTRUCTIONS

Property Address: 2913 Pacific Avenue Manhattan Beach, CA 90266

THE ABOVE NUMBERED ESCROW IS HEREBY AMENDED AND/OR SUPPLEMENTED AS FOLLOWS:

BUYER'S VESTING: David N. Carmany and Laura L. Carmany, Husband and Wife as Joint Tenants, as to an undivided 50% interest and City of Manhattan Beach, a municipal corporation, as to an undivided 50% interest; as Tenants in Common

City of Manhattan Beach hereby acknowledges receipt of a copy of all previous escrow instructions and any amendments thereto and agrees to comply with all terms and conditions contained therein. City of Manhattan Beach further agrees to be bound by any approvals or conditions which have been previously given or met.

Any funds on deposit with escrow holder and/or broker shall accrue to the account of all buyers named above.

The seller hereby acknowledges and agrees to the addition of the above named party as a buyer in this escrow.

The seller authorizes and instructs escrow holder to modify (above seller's signature) the buyer's vesting on the Grant Deed which has already been signed and deposited into escrow.

ALL OTHER TERMS AND CONDITIONS TO REMAIN THE SAME.

SELLERS:

Gregory Louis Lazare

BUYERS:

David N. Carmany

Laura L. Carmany

City of Manhattan Beach, a municipal corporation

By: _____
Richard Montgomery - Mayor


Brighton escrow Inc.

970 Artesia Blvd. • Hermosa Beach, CA 90254
(310) 545-8484 • Fax: (310) 374-9865
E-Mail: afshan.bowens@brightonescrow.com

Afshan Bowens
Escrow Officer

Date: January 13, 2011
Escrow No.: 047478AB

AMENDED ESCROW INSTRUCTIONS

Property Address: 2913 Pacific Avenue Manhattan Beach, CA 90266

THE ABOVE NUMBERED ESCROW IS HEREBY AMENDED AND/OR SUPPLEMENTED AS FOLLOWS:

NEW LOAN: Buyer will obtain a new loan in the amount of **\$864,000.00** secured by a **first** deed of trust in favor of **City of Manhattan Beach** payable at an interest rate of **5.0000%** per annum for **30** years. Buyer agrees to comply with lenders loan requirements and to pay lender's loan fees. Buyer's signature on said documents shall be indication of their approval of all terms and conditions contained therein and Escrow Holder's authorization for the use of same.

The undersigned parties hereby state that any and all contingencies, including but not limited to the receipt and approval of condominium documents, if any, as set forth in the original escrow instructions and any amendments thereto, have been satisfied and are removed from this escrow in their entirety. Buyer further acknowledges having received and read a "Zone Disclosure" report and has approved of same. Buyer's deposit of full downpayment plus closing costs into escrow shall be deemed buyer's approval of all terms and conditions contained in this escrow.

In connection with "TAX WITHHOLDING" paragraph, as stated in the original escrow instructions, the undersigned buyer hereby acknowledges that the seller has provided escrow holder with an applicable EXEMPTION affidavits, including but not limited to seller's social security number(s) for the purpose of both IRS and FTB withholding requirements.

ALL OTHER TERMS AND CONDITIONS TO REMAIN THE SAME.

David N. Carmany

City of Manhattan Beach, a municipal corporation

By:

Laura L. Carmany

Richard Montgomery - Mayor

(E)



Brighton escrow Inc.

970 Artesia Blvd. • Hermosa Beach, CA 90254
(310) 545-8484 • Fax: (310) 374-9865
E-Mail: afshan.bowens@brightonescrow.com

BUYER'S ESTIMATED CLOSING COSTS

PROPERTY:	2913 Pacific Avenue Manhattan Beach, CA 90266	DATE:	January 13, 2011
BUYER:	David N. Carmany, Laura L. Carmany and City of Manhattan Beach, a municipal corporation	CLOSING DATE:	January 26, 2011
		ESCROW NO.:	047478AB

	<u>DEBITS</u>	<u>CREDITS</u>
FINANCIAL CONSIDERATION		
Total Consideration	1,080,000.00	
Deposit from David N. Carmany and Laura L. Carmany		31,500.00
Credit from Seller for closing costs		65,000.00
New 1st Trust Deed - City of Manhattan Beach		864,000.00
PRORATIONS/ADJUSTMENTS		
Taxes at \$680.20/semi-annually from 01/01/2011 to 01/26/2011		94.47
OTHER DEBITS/CREDITS		
Allstate Insurance for Homeowner's Insurance	1,500.00	
City of Manhattan Beach per lender's instructions	65,000.00	
Cushion	900.00	
TITLE/TAXES/RECORDING CHARGES - Orange Coast Title		
ALTA Loan Policy + Endorsements	1,047.00	
Sub Escrow Fee	65.00	
Wire Fee	30.00	
Recording Grant Deed	40.00	
Recording Trust Deed	80.00	
2010-2011 2nd half taxes	680.20	
ESCROW CHARGES - Brighton Escrow, Inc.		
Escrow Fee	2,356.00	
Loan Tie-In Fee	150.00	
Processing/Handling Fee	75.00	
Notary Fee	40.00	
Funds required		*191,368.73
TOTAL	\$ 1,151,963.20	\$ 1,151,963.20

***\$110,684.36 to be provided by the City of Manhattan Beach, and \$80,684.36 to be provided by Mr. and Mrs. David N. Carmany**

THIS IS AN ESTIMATE ONLY AND FIGURES ARE SUBJECT TO CHANGE

David N. Carmany

Laura L. Carmany

City of Manhattan Beach, a municipal corporation

By: _____
Richard Montgomery - Mayor