

RECORDING REQUESTED BY:

WHEN RECORDED MAIL TO:
Director of Planning and Building
County of San Luis Obispo
County Government Center, Rm. 300
San Luis Obispo, CA 93408

NOTE TO BORROWER:
THIS DEED OF TRUST CONTAINS PROVISIONS RESTRICTING ASSUMPTIONS

DEED OF TRUST
AND SECURITY AGREEMENT

THIS DEED OF TRUST AND SECURITY AGREEMENT ("Deed of Trust") is made this _____ day of _____, 20____, among the trustor, _____ ("Borrower"), whose address is _____, _____, and _____ ("Trustee"), and the County of San Luis Obispo, a public body corporate and politic (the "County") as Beneficiary.

The Borrower, in consideration of the promises herein recited and the trust herein created, irrevocably grants, transfers, conveys and assigns to Trustee, in trust, with power of sale, the property located in the County of San Luis Obispo, State of California, described in the attached Exhibit "A" and more commonly known as _____, in the County of San Luis Obispo, California (the "Property").

TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, and all fixtures now or hereafter attached to the Property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the Property covered by this Deed of Trust; and

TOGETHER with all articles of personal property or fixtures now or hereafter

attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the complete and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefore, whether or not the same are, or shall be attached to said building or buildings in any matter; and all of the foregoing, together with the Property, is herein referred to as the "Security";

TO SECURE to the County the performance of the covenants and agreements of Borrower contained in that certain Affordability/Recapture Agreement and Option to Purchase executed by and between the Owner and the County and dated the same date as this Deed of Trust (the "Affordability/Recapture Agreement"); and

TO SECURE to the County the repayment of the sums evidenced by a promissory note executed by Borrower and the County dated _____, 20_____, in the amount of _____ Dollars (\$ _____) (the "Note"); and

TO SECURE the payment of all other sums, with interest (if any) thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained.

BORROWER COVENANTS AND AGREES AS FOLLOWS:

1. Borrower's Estate. That Borrower is lawfully seized of the estate hereby conveyed and has the right to grant and convey the Security, that other than this Deed of Trust, the Security is encumbered only by: (a) that deed of trust executed by Borrower in connection with a loan made to Borrower by _____, or its successors and assigns (the "First Lender"), executed by Borrower in favor of First Lender (the "First Lender Deed of Trust"), securing a promissory note executed by Borrower in favor of the First Lender ("First Lender Note"), to assist in the purchase of the Property; and (b) the Affordability/Recapture Agreement and Option to Purchase executed by Borrower and County. Borrower agrees to warrant and defend generally the title to the Security against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring the County's interest in the Security. (As used in this Deed of Trust, the term "First Lender" shall include all successors and assigns of the First Lender.)

2. Repayment of Loan. Borrower will promptly repay, when due the principal and interest (if any) required by the Note.

The Note contains the following provisions concerning repayment of the loan under certain conditions:

Borrower(s) acknowledges that this Note is given in connection with the purchase of property (the "Property") as part of a program of the County to assist low income persons in achieving homeownership. Consequently, this Note is not automatically assumable, but is subject to Section 711.5 of the California Civil Code which allows the County to accelerate all amounts due under this Note if any subsequent sale or transfer of the Residence of any kind does not comply with the provisions of the Affordability/Recapture Agreement and Option to Purchase executed between the Borrower and the County and dated the same date as this Note (the "Affordability/Recapture Agreement").

3. Affordability/Recapture Agreement. Borrower will observe and perform all of the covenants and agreements of the Affordability/Recapture Agreement.

4. First Lender Loan. Borrower will observe and perform all of the covenants and agreements of the First Lender Note and the First Lender Deed of Trust.

5. Charges; Liens. Borrower will pay all taxes, assessments and other charges, fines and impositions attributable to the Security which may attain a priority over this Deed of Trust, by Borrower making any payment, when due, directly to the payee thereof. Borrower will promptly furnish to the County all notices of amounts due under this paragraph except property tax notices. In the event Borrower makes payment directly, Borrower will promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower will not be required to discharge the lien of the First Lender Deed of Trust or any other lien described in this paragraph so long as Borrower will agree in writing to the payment of the obligation secured by such lien in a manner acceptable to the County, or will, in good faith, contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Security or any part thereof.

6. Hazard Insurance. Borrower will keep the Security insured by a standard fire and extended coverage insurance policy in at least such amounts and for such periods as the County may require, which amounts shall be the lesser of (a) the sum of the loan amount under the Note and the First Lender Note, or (b) the replacement cost of the Security, but in no event less than (c) the amount necessary to prevent Borrower from becoming a co-insurer under the terms of the policy.

The insurance carrier providing this insurance shall be licensed to do business in the State of California and be chosen by Borrower subject to approval by the County; provided, that such approval will not be withheld if the insurer is also approved by the First Lender, the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae or FNMA), or successors thereto.

All insurance policies and renewals thereof will be in a form acceptable to the County and will include a standard mortgagee clause with standard lender's endorsement in favor of the holder of the First Lender Note and the County as their interests may appear and in a form acceptable to the County. The County shall have the right to hold, or cause its designated agent to hold, the policies and renewals thereof, and Borrower shall promptly furnish to the County, or its designated agent, the original insurance policies or certificates of insurance, all renewal notices and all receipts of paid premiums. In the event of loss, Borrower will give prompt notice to the insurance carrier and the County or its designated agent. The County, or its designated agent, may make proof of loss if not made promptly by Borrower. The County shall receive thirty days advance notice of cancellation of any insurance policies required under this section.

Unless the County and Borrower otherwise agree in writing, insurance proceeds, subject to the rights of the First Lender, will be applied to restoration or repair of the Security damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired. If such restoration or repair is not economically feasible or if the Security of this Deed of Trust would be impaired, the Insurance proceeds will be used, subject to the rights of the First Lender, to repay the Note and all sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Security is abandoned by Borrower, or if Borrower fails to respond to the County, or its designated agent, within thirty (30) days from the date notice is mailed by either of them to Borrower that the insurance carrier offers to settle a claim for insurance benefits, the County, or its designated agent, is authorized, subject to the rights of the First Lender, to collect and apply the insurance proceeds at the County's option either to restoration or repair of the Security or to repay the Note and all sums secured by the Deed of Trust.

If the Security is acquired by the County, all right, title and interest of Borrower in and to any insurance policy and in and to the proceeds thereof resulting from damage to the Security prior to the sale or acquisition will pass to the County to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition, subject to the rights of the First Lender.

7. Preservation and Maintenance of Security. Borrower will keep the

Security in good repair and will not commit waste or permit impairment or deterioration of the Security.

8. Protection of the County's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust or if any action or proceeding is commenced which materially affects the County's interest in the Security, including, but not limited to, default under the Deed of Trust securing the First Lender Note or any other deed of trust encumbering the Property, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then the County, at the County's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as it determines necessary to protect the County's interest, including but not limited to, disbursement of reasonable attorneys' fees and entry upon the Security to make repairs.

Any amounts disbursed by the County pursuant to this paragraph, with interest thereon, will become an indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and County agree in writing to other terms of payment, such amount will be payable upon notice from the County to Borrower requesting payment thereof, and will bear interest from the date of disbursement at the rate payable from time to time on outstanding principal under the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts will bear interest at the highest rate permissible under applicable law. Nothing contained in this paragraph will require the County to insure any expense or take any action hereunder.

9. Inspection. The County may make or cause to be made reasonable entries upon and inspections of the Security; provided that the County will give Borrower reasonable notice of inspection.

10. Default; Remedies. Upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including, but not limited to, the covenants to pay, when due, any sums secured by this Deed of Trust, the County, prior to acceleration, will mail by certified mail, return receipt requested, notice to Borrower specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, not less than thirty (30) days from the date the notice is received by Borrower as shown on the return receipt or the date delivery was refused by Borrower as indicated on the return receipt, by which such breach is to be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Security. The notice will also inform Borrower of Borrower's right to reinstate after acceleration and the right to bring a court action to assert the nonexistence of default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the

notice, the County, at the County's option, may: (a) declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by California law; (b) either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Security and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of the Trustee, and do any acts which it deems necessary or desirable to preserve the value or marketability of the Security, or part thereof or interest therein, increase the income therefrom or protect the security thereof (The entering upon and taking possession of the Security shall not cure or waive any breach hereunder or invalidate any act done in response to such breach and, notwithstanding the continuance in possession of the Security, the County shall be entitled to exercise every right provided for in this Deed of Trust, or by law upon occurrence of any uncured breach, including the right to exercise the power of sale.); (c) commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof; (d) deliver to Trustee a written declaration of default and demand for sale, pursuant to the provisions for notice of sale found at California Civil Code Sections 2924, et seq., as amended from time to time; or (e) exercise all other rights and remedies provided herein, in the instruments by which the Borrower acquires title to any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

The County shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this section, including, but not limited to, reasonable attorneys' fees.

11. Acceleration. Upon the occurrence of a default under this Deed of Trust, the Affordability/Recapture Agreement, or the Note, the County shall have the right to declare the full amount of the principal along with any interest under the Note immediately due and payable. Any failure by the County to pursue its legal and equitable remedies upon default shall not constitute a waiver of the County's right to declare a default and exercise all of its rights under this Deed of Trust, the Note and the Affordability/Recapture Agreement. Nor shall acceptance by the County of any payment provided for in the Note constitute a waiver of the County's right to require prompt payment of any remaining principal and interest owed on the Note.

12. Borrower's Right to Reinstate. Notwithstanding the County's acceleration of the sums secured by this Deed of Trust, Borrower will have the right to have any proceedings begun by the County to enforce this Deed of Trust discontinued at any time prior to five (5) days before sale of the Security pursuant to the power of sale contained

in this Deed of Trust or at any time prior to entry of a judgement enforcing this Deed of Trust if: (a) Borrower pays the County all sums which would be then due under this Deed of Trust and no acceleration under the Note has occurred; (b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in this Deed of Trust; (c) Borrower pays all reasonable expenses incurred by the County and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust, and in enforcing the County's and Trustee's remedies, including, but not limited to, reasonable attorneys' fees; and (d) Borrower takes such action as the County may reasonably require to assure that the lien of this Deed of Trust, the County's interest in the Security and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby will remain in full force and effect as if no acceleration had occurred.

13. Forbearance by the County Not a Waiver. Any forbearance by the County in exercising any right or remedy will not be a waiver of the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by the County will not be a waiver of the County's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

14. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or any other document, or afforded by law or equity, and may not be exercised concurrently, independently or successively.

15. Successors and Assigns Bound. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of the County and Borrower subject to the provisions of this Deed of Trust.

16. Joint and Several Liability. All covenants and agreement of Borrower shall be joint and several.

17. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust will be given by certified mail, addressed to Borrower at the address shown in the first paragraph of this Deed of Trust or such other address as Borrower may designate by

notice to the County as provided herein, and (b) any notice to the County will be given by express delivery, return receipt requested, to the County's designated agent;

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or to such other address as the County may designate by notice to Borrower as provided above. Notice shall be effective as of the date received by the County or by a County designated agent as shown on the return receipt.

18. Governing Law. This Deed of Trust shall be governed by the laws of the State of California.

19. Severability. If any provision of this Deed of Trust or the Note is found by the County or by a court of competent jurisdiction to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

20. Captions. The captions and headings in this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

21. Reconveyance. Upon payment or forgiveness of all sums secured by this Deed of Trust, the County will request Trustee to reconvey the Security and will surrender this Deed of Trust and the Note to Trustee. Trustee will reconvey the Security without warranty and without charge to the person or persons legally entitled thereto. Such person or persons will pay all costs of recordation, if any.

22. Substitute Trustee. The County, at the County's option, may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder. The successor trustee will succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

23. Superiority of First Lender Documents. Notwithstanding any other provision hereof, the provisions of this Deed of Trust shall be subordinate to the lien of the First Lender Deed of Trust and shall not impair the rights of the First Lender, or such lender's assignee or successor in interest, to exercise its remedies under the First Lender Deed of Trust in the event of default under the First Lender Deed of Trust by Borrower. Such remedies under the First Lender Deed of Trust include the right of foreclosure or acceptance of a deed or assignment in lieu of foreclosure. After such

foreclosure or acceptance of a deed in lieu of foreclosure, this Deed of Trust shall be forever terminated and shall have no further effect as to the Property or any transferee thereafter; provided, however, if the holder of such First Lender Deed of Trust acquired title to the Property pursuant to a deed or assignment in lieu of foreclosure, this Deed of Trust shall automatically terminate upon such acquisition of title, provided that (a) the County has been given written notice of default under such First Lender Deed of Trust and (b) the County shall not have cured or commenced to cure the default under such First Lender Deed of Trust within the 30-day period provided in such notice sent to the Lender or given its firm commitment to complete the cure in the form and substance acceptable to the First Lender. Trustor agrees to record any necessary documents to effect such termination, if applicable.

24. Request for Notice. Beneficiary requests that copies of the notice of default and notice of sale be sent to Beneficiary at the address set forth in Section 17 (Notice) above.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust as of the date first written above.

Borrower*

Borrower*

Date_____

Date_____

* Signatures must be notarized

State of California)
) ss.
County of _____)

On _____, before me, _____,

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)

EXHIBIT A
(Legal Description)

CERTIFICATE

This is to certify that the interest in real property conveyed by the Deed of Trust dated _____, 20____ from _____

to the County of San Luis Obispo, a political subdivision of the State of California, is hereby accepted by the undersigned officer or agent on behalf of the Board of Supervisors of the County of San Luis Obispo pursuant to the authority conferred by Board of Supervisors' Resolution 2004-102 adopted on April 6, 2004 and Resolution 2004-333 adopted on October 19, 2004, the grantee consents to recordation thereof by its duly authorized officer.

Dated: _____

County of San Luis Obispo

Kami Griffin
Assistant Director of Planning and Building

State of California)
County of _____) ss.

On _____, before me, _____,

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)