

DISPOSITION AND DEVELOPMENT AGREEMENT

Between and Among

PERRIS REDEVELOPMENT AGENCY,

a public body, corporate and politic

and

PERRIS HOUSING INVESTORS, L.P.

a California limited partnership

(Perris Station Apartments)

DISPOSITION AND DEVELOPMENT AGREEMENT

THIS DISPOSITION AND DEVELOPMENT AGREEMENT ("Agreement") is entered into as of the date executed by the Agency, between and among the PERRIS REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), and PERRIS HOUSING INVESTORS, L.P., a California limited partnership ("Developer"). The parties agree as follows:

I. (§100) PURPOSE OF THE AGREEMENT

A. (§101) Purpose of the Agreement.

This Agreement and the Attachments hereto are intended to effectuate the Redevelopment Plan for the Central/North Perris Redevelopment Project Area ("Redevelopment Project Area") by providing for the disposition and development of certain real property designated herein as the "Site" and the development of the "Project" thereon (as those terms are defined herein). The development of the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City of Perris ("City") and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state and local laws and requirements.

Through this Agreement, Agency intends to assist with the development of an 84-unit Senior Citizen-restricted low-income apartment community to be located at 4 through 40 South "D" Street. All of the residential units within the Project, other than the manager's unit, will be rental units covenanted for occupancy by low-income Senior Citizens, as that term is herein defined to create a "senior citizen housing development" as defined in California Civil Code § 51.11(b)(4), and shall be available to Extremely Low, Very Low and Low Income Households.

II. (§200) DEFINITIONS

The following terms as used in this Agreement shall have the meanings given unless expressly provided to the contrary:

A. (§201) Affordable Rent.

The term "Affordable Rent" shall have the meaning prescribed for that term in Health and Safety Code § 50053(b) and the regulations promulgated pursuant to or incorporated therein, including, without limitation, any applicable regulations promulgated pursuant to Health and Safety Code § 50093.

B. (§202) Agency.

The term "Agency" shall mean the Perris Redevelopment Agency.

C. (§203) Agency Financial Assistance.

The term "Agency Financial Assistance" shall have the meaning ascribed in Section 403.2.

D. (§204) Agreement.

The term "Agreement" shall mean this entire Disposition and Development Agreement, including all attachments, which attachments are a part hereof and incorporated herein in their entirety, and all other documents incorporated herein by reference.

E. (§205) City.

The term "City" shall mean the City of Perris, California.

F. (§206) Closing.

The term "Closing" or "Closing Date" shall mean the closing of the Escrow by the Escrow Agent distributing the funds and documents received through Escrow to the party entitled thereto as provided herein, which closing shall occur on or before the date established in the Schedule of Performance.

G. (§ 207) Commercial Unit.

The term "Commercial Unit" shall mean each of the Units located on the first floor of the Project which may be used for commercial purposes.

H. (§208) Days.

The term "days" shall mean calendar days and the statement of any time period herein shall be calendar days, and not working days, unless otherwise specified.

I. (§209) Deed.

The term "Deed" or "Grant Deed" shall mean that Grant Deed in substantially the form attached hereto as Attachment No. 6 by which Agency as Grantor will convey fee title to the Site to Developer as Grantee.

J. (§210) Effective Date.

The Effective Date of this Agreement shall occur after public hearing and approval hereof by the Agency, and shall mean the date this Agreement is executed on behalf of the Agency.

K. (§211) Enforced Delay.

The term "Enforced Delay" shall mean any delay described in Section 903 caused without fault and beyond the reasonable control of a party, which delay shall justify an extension of time to perform as provided in Section 903.

L. (§212) Escrow.

The term "Escrow" shall mean the escrow established pursuant to this Agreement for the conveyance of title to the Site from Agency to Developer.

M. (§213) Escrow Agent.

The term "Escrow Agent" shall mean First American Title Company, located at 550 S. Hope Street, Suite 1950, Los Angeles, CA 90071, and empowered hereunder to act as the Escrow Agent for this transaction. The Escrow Agent contact shall be Liz Aguilar.

N. (§ 214) Extremely Low Income Household.

The term "Extremely Low Income Household" shall mean a household entitled to receive affordable rent, including a reasonable utility allowance, which does not exceed the product of thirty percent (30%) times thirty percent (30%) of the area median income for Riverside County, adjusted for applicable household size, as computed in accordance with the Community Redevelopment Law and the regulations promulgated pursuant thereto or incorporated therein, including, without limitation, all regulations promulgated pursuant to Health and Safety Code § 50093, or any successor statute.

O. (§ 215) Low Income Household.

The term "Low Income Household" shall mean a household entitled to receive affordable rent, including a reasonable utility allowance, which does not exceed the product of thirty percent (30%) times sixty percent (60%) of area median income for Riverside County, adjusted for applicable household size, as computed in accordance with the Community Redevelopment Law and the regulations promulgated pursuant thereto or incorporated therein, including, without limitation, all regulations promulgated pursuant to Health and Safety Code § 50093, or any successor statute.

P. (§216) Manager's Unit

The term "Manager's Unit" shall mean the one (1) housing unit within the Project that shall be designated by Developer as a residence for a "Qualified Manager." The Manager's Unit shall not be a Senior Citizen restricted Residential Unit.

Q. (§217) Project.

The term "Project" shall mean all of the improvements required to be constructed by Developer on the Site and each parcel thereof pursuant to this Agreement, including, but not limited to, the construction of buildings, glass and concrete work, landscaping, construction of parking areas, and related improvements. The overall Project is more particularly described in the Scope of Development attached hereto as Attachment No. 4. Upon completion, the Project will consist of a three-story structure with two stories of residential apartments over one (1) story of commercial space and parking facilities at street level. The residential component of the Project shall include the construction of eighty-four (84) units to be restricted for use by low-income Senior Citizens, other than the one (1) unit restricted for rent to a Qualified Manager. The Residential Units will consist of approximately seventy (70) one-bedroom units of

approximately five hundred forty (542) square feet and fourteen (14) two-bedroom units of approximately seven hundred seventy (777) square feet.

Rental of the Residential Units shall be administered as follows: Nine (9) of the units shall be restricted to rent to Extremely Low Income Households; fifty-one (51) of the units shall be restricted to rent to Very Low Income Households and twenty-four (24) of the units shall be restricted to Low Income Households.

R. (§218) Purchase Price.

The term "Purchase Price" shall mean that amount agreed upon by the parties as the payment to be made by Developer to Agency for the purchase of the Site, which Purchase Price shall be the amount of One Million Nine Hundred Fifty Thousand Dollars (\$1,950,000) which is the amount that Agency paid to acquire the Site. The Purchase Price shall be a part of the Agency Financial Assistance.

S. (§219) Qualified Manager.

The term "Qualified Manager" shall mean the resident manager of the Project who is selected and retained by Developer pursuant to the Regulatory Agreement. The Qualified Manager shall reside in the "Manager's Unit" within the Project as designated by Developer. The Manager's Unit shall be restricted to occupancy by the Qualified Manager and his/her household, and shall not be subject to the Senior Citizen restriction.

T. (§220) Qualified Tax Credit Investor.

The term "Qualified Tax Credit Investor" shall mean a person or entity who (i) is an experienced limited partner and investor in multifamily housing developments receiving low income housing tax credits issued by the State of California or the United States federal government ("Tax Credits"), and (ii) has obtained or is contractually obligated to obtain a limited partnership or limited liability company membership interest in the Developer whereby it will receive ninety percent (90%) or more of the Tax Credits obtained in connection with the Project. Agency shall have the right to reasonable prior approval, which shall not be unreasonably withheld, conditioned or delayed, of the limited partnership agreement and amendments thereto but only with respect to the terms and conditions concerning timing and amounts of cash contributions toward Project development costs in return for an interest in the Project and the right to receive Project Tax Credits. Approved Qualified Tax Credit Investors shall be (i) Multi-Housing Partners, LLC, a California limited liability company ("MHP"), (ii) an entity which has MHP as a general partner, managing member or controlling shareholder, or (iii) an entity which is directly or indirectly owned or controlled by MacFarlane Costa Housing Partners, LLC, a California limited liability company ("MCHP").

U. (§221) Qualified Tenant.

The term "Qualified Tenant" shall mean those households seeking to rent a Residential Unit who satisfy all of the following requirements:

a. Upon execution of a lease with Developer pursuant to this Agreement, each member of the household shall occupy the Residential Unit as its principal residence, and each member shall intend to thereafter continuously occupy such Residential Unit as its principal residence.

b. The household has been selected in accordance with the tenant selection criteria set forth in the Regulatory Agreement.

c. Upon execution of a lease with Developer pursuant to this Agreement, the household is an Extremely Low, Very Low or Low Income Household.

d. At least one person in residence in each residential unit must be a Senior Citizen, and all other residents in the Unit who are not Senior Citizens must be Qualified Permanent Residents, as defined in California Civil Code Section 51.11(b)(2) or (3), or a Permitted Health Care Resident, as defined in California Civil Code Section 51.11(b)(7).

V. (§222) Redevelopment Plan.

The term "Redevelopment Plan" shall mean the Redevelopment Plan for the Central/North Redevelopment Project Area in the City of Perris, as adopted by Ordinance No. 580 of the City Council on May 31, 1983, and as such Redevelopment Plan has been amended from time to time. Agency hereby warrants and represents that the Redevelopment Plan was validly adopted and is in full force and effect, that the applicable limitations period for challenging the validity of the Redevelopment Plan has expired and that the proposed Project is in accordance with and permissible under the Redevelopment Plan. A copy of the Redevelopment Plan is on file in the office of the City Clerk of the City, located at 101 North "D" Street, Perris, California 92570. The Redevelopment Plan is incorporated herein by reference and made a part hereof as though fully set forth herein.

W. (§223) Redevelopment Project Area.

The term "Redevelopment Project Area" shall mean the Central/North Perris Redevelopment Project Area which is located in the City of Perris, California. The exact boundaries of the Redevelopment Project Area are specifically described in the Redevelopment Plan.

X. (§224) Regulatory Agreement.

The term "Regulatory Agreement" shall mean that Regulatory Agreement attached hereto as Attachment No. 7, running with the land and providing for the proper maintenance of common facilities and improvements and the management and use of the Project, which also sets forth the limitations on occupancy, residency or use of the Residential Units on the basis of age in a manner that is consistent with California Civil Code Section 51.11(c).

Y. (§225) Release of Construction Covenants.

The term "Release of Construction Covenants" shall mean that document prepared in accordance with Section 513 of this Agreement, in the form attached as Attachment No. 5, which

shall evidence that the construction and development of the improvements required by this Agreement have been satisfactorily completed.

Z. (§226) Residential Unit.

The term "Residential Unit" shall mean and refer to each of the eighty-four (84) residential units in the Project, each of which is restricted to occupancy by this Agreement and the Regulatory Agreement to a low-income Senior Citizen or otherwise Qualified Tenant. "Residential Units" shall mean and refer collectively to each and every Residential Unit located on the Site.

AA. (§227) Deed of Trust.

The term "Deed of Trust" shall refer to that deed of trust and assignment of rents attached hereto as Attachment No. 8, securing the performance of the Regulatory Agreement.

BB. (§229) Schedule of Performance.

The term "Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 3.

CC. (§ 230) Senior Citizen.

The term "Senior Citizen" or "Qualifying Resident" shall mean a person who is fifty-five (55) years of age or older, as defined in California Civil Code Section 51.11(b).

DD. (§ 231) Senior Unit.

The term "Senior Unit" shall mean a Residential Unit that is specially designed for and restricted to occupancy by Senior Citizens and Qualified Permanent Residents.

EE. (§ 232) Site.

The term "Site" shall mean the three (3) lots that are owned by the Agency, which total approximately 1.33 acres of real property and which shall be transferred to Developer pursuant to this Agreement to allow Developer to construct the Project. The Site is legally described on Attachment No. 2. Unless otherwise specified, any reference herein to the Site shall include all three (3) lots.

FF. (§233) Site Map.

The Project shall be located upon the Site, which is within the City, as shown in the "Site Map" attached hereto as Attachment No. 1.

GG. (§234) Title.

The term "Title" shall mean the fee title to the Site which shall be conveyed to Developer pursuant to the Deed.

HH. (§235) Title Company.

The term "Title Company" shall mean First American Title Company, located at 550 S. Hope Street, Suite 1950, Los Angeles, CA 90071, and empowered hereunder to act as the Title company for this transaction. The title officer shall be Donna Cimino.

II. (§ 236) Very Low Income Household.

The term "Very Low Income Household" shall mean a household entitled to receive affordable rent, including a reasonable utility allowance, which does not exceed the product of thirty percent (30%) times fifty percent (50%) of area median income for Riverside County, adjusted for applicable household size, as computed in accordance with the Community Redevelopment Law and the regulations promulgated pursuant thereto or incorporated therein, including, without limitation, all regulations promulgated pursuant to Health and Safety Code Section 50093, or any successor statute.

III. (§300) PARTIES TO THE AGREEMENT

A. (§301) Agency.

Agency is a public body, corporate and politic, exercising governmental functions and powers, organized and existing under the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000, *et seq.*). The office of Agency is located at 101 North "D" Street, Perris, California 92570. The term "Agency," as used in this Agreement, includes the Perris Redevelopment Agency and any assignee of, or successor to, its rights, powers and responsibilities.

B. (§302) Developer.

1. **Identification.** Developer is Perris Housing Investors, L.P., a California limited partnership, or its transferee as described in Section 303.3. The principal office of Developer for the purposes of this Agreement is located at 320 Golden Shore, Suite 200, Long Beach, California 90802. Developer warrants and represents to Agency that Developer will be qualified to do business in good standing under the laws of the State of California and has all requisite power and authority to carry out Developer's business as now and whenever conducted and to enter into and perform Developer's obligations under this Agreement.

2. **Successors and Assigns.** Except as may be expressly provided hereinbelow, all of the terms, covenants and conditions of this Agreement shall be binding on, and shall inure to the benefit of, Developer and the permitted successors, assigns and nominees of Developer as to each portion of the Site. Wherever the term "Developer" is used herein, such term shall include any permitted successors and assigns of Developer as herein provided.

3. **Qualifications.** The qualifications and identity of Developer are of particular concern to the Agency, and it is because of such qualifications and identity that

Agency has entered into this Agreement with Developer. The Agency has considered the experience, financial capability, and product being marketed by Developer, the Site location and characteristics, the public costs of acquiring and developing the Site and return on investment, and the product mix necessary to produce a Project. Based upon these considerations, the Agency has imposed those restrictions on transfer set forth in this Agreement.

C. (§303) Restrictions on Transfer.

1. **Transfer Defined.** As used in this section, the term "Transfer" shall include any assignment, hypothecation, mortgage, pledge, conveyance, or encumbrance of this Agreement, the Site, or the improvements thereon. A Transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) of the present ownership and/or control of Developer in the aggregate, taking all Transfers into account on a cumulative basis, except transfers of such ownership or control interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the Transferor's immediate family. In the event Developer or its successor is a corporation or trust, such Transfer shall refer to the Transfer of the issued and outstanding capital stock of Developer, or of beneficial interests of such trust. In the event that Developer is a limited or general partnership, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the limited or general partnership interest. In the event that Developer is a joint venture, such Transfer shall refer to the Transfer of more than twenty-five percent (25%) of the ownership and/or control of any such joint venture partner, taking all Transfers into account on a cumulative basis.

2. **Restrictions Prior to Completion.** Prior to issuance of the Release of Construction Covenants, Developer shall not Transfer this Agreement or any of Developer's rights hereunder, or any interest in the Site or in the improvements thereon, directly or indirectly, voluntarily or by operation of law, except as provided below, without the prior written approval of Agency, which shall not be unreasonably withheld, conditioned or delayed, and if so purported to be Transferred, the same shall be null and void. In considering whether it will grant approval to any Transfer by Developer of its interest in the Site before the issuance of the Release of Construction Covenants, which Transfer requires Agency approval, Agency shall consider factors such as (i) whether the completion or implementation of the Project is jeopardized; (ii) the financial strength and capability of the proposed assignee to perform Developer's obligations hereunder; and (iii) the proposed assignee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects.

In the absence of specific written agreement by Agency, prior to the issuance of a Release of Construction Covenants, no Transfer by Developer of all or any portion of its interest in the Site or this Agreement (including without limitation an assignment or transfer not requiring Agency approval hereunder) shall be deemed to relieve it or any successor party from any obligations under this Agreement with respect to the completion of the development of the Project with respect to that portion of the Site which is so transferred. In addition, no attempted assignment of any of Developer's obligations hereunder shall be effective unless and until the successor party executes and delivers to Agency an assumption agreement, in a form approved by the Agency, assuming such obligations.

3. **Exceptions.** The foregoing prohibition shall not apply to any of the following:

a. Any mortgage, deed of trust, or other form of conveyance for financing, as provided in Section 512, but Developer shall notify Agency in advance of any such mortgage, deed of trust, or other form of conveyance for financing pertaining to the Site.

b. Any mortgage, deed of trust, or other form of conveyance for restructuring or refinancing of any amount of indebtedness described in subsection (a) above, provided that the amount of indebtedness incurred in the restructuring or refinancing does not exceed the outstanding balance on the debt incurred to finance the acquisition of and improvements on the Site, including any additional costs for completion of construction, whether direct or indirect, based upon the estimates of architects and/or contractors.

c. The granting of easements to any appropriate governmental agency or utility or permits to facilitate the development of the Site.

d. A sale or Transfer resulting from or in connection with a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.

e. A sale or Transfer of 49% or more of ownership or control interest between members of the same immediate family, or Transfers to a trust, testamentary or otherwise, in which the beneficiaries consist solely of immediate family members of the Trustor or Transfers to a corporation or partnership in which the immediate family members or shareholders of the Transferor have a controlling majority interest of 51% or more.

f. A sale or Transfer of an interest in Developer to a Qualified Tax Credit Investor.

g. A sale or Transfer of an interest in the Developer by the Riverside County Community Development Commission ("RCCDC") to an entity controlled by RCCDC.

h. A grant by Developer to RCCDC or its affiliate of a purchase option and/or right of first refusal to acquire the Site and all improvements thereon upon the expiration of the tax credit compliance period applicable to the Tax Credits.

i. Replacement of Developer's general partner so long as the replacement general partner is an affiliate of MCHP.

j. The air rights subdivision of the Commercial Unit from the Project and a sale or Transfer of the Commercial Unit to an entity controlled by MCHP.

4. **Restrictions After Completion.** It is hereby acknowledged by Developer and Agency that the Site is being conveyed to the Developer by the Agency at below market

value. Therefore, subsequent to the issuance of the Release of Construction Covenants, except as set forth in Section 303.3 above, Developer may not sell, Transfer, convey, hypothecate, assign or lease all or any portion of its interest in the Site without complying with any Transfer restrictions contained within the Deed or the Regulatory Agreement, as applicable.

IV. (§400) ACQUISITION AND DISPOSITION OF THE SITE

A. (§401) Financing Milestones.

The parties acknowledge that Developer intends to finance the acquisition, development, construction, and equipping costs for the Project with funds from a variety of sources, including (but not necessarily limited to) those funding sources identified on the Project Budget attached to the Scope of Development. Developer shall diligently apply for and pursue each funding source identified in the Project Budget at the earliest feasible opportunity, taking into account rules, requirements and scoring criteria applicable to each funding source. Not counting the Agency Financial Assistance to be provided pursuant to this Agreement, Developer shall demonstrate, to Agency's reasonable satisfaction by the dates set forth in the Schedule of Performance, that Developer has secured a bona fide award, commitment or reservation of HOME funds from Riverside County Community Development Commission ("RCCDC"), Low Income Housing Tax Credits ("LIHTC"), Infill Infrastructure Grant ("IIG") funds from the Department of Housing and Community Development ("HCD"), and/or Federal Home Loan Bank Affordable Housing Program ("FHLB AHP") funds (collectively, "Housing Program Funds") in an amount sufficient to provide for development of the Project in accordance with the Project Budget.

Developer shall submit up to four applications to the California Tax Credit Allocation Committee ("TCAC") for LIHTC as specified in the Schedule of Performance. In the event that the Developer applies for and does not receive an allocation of LIHTC after four allocation rounds, Developer and the Agency shall meet and confer to determine whether Developer shall make another application if all parties agree that such application would be competitive under the then-applicable TCAC scoring criteria, provided that neither party shall have an obligation to continue this Agreement.

If the parties mutually agree that funding conditions suggest that an alternative financing structure would be more advantageous for the Project, the parties agree to pursue that alternative financing structure and amend the Schedule of Performance and Project Budget accordingly, although nothing herein shall require either party to pursue such alternative financing structure.

All funding sources for the Project shall be subject to Agency's prior approval, which approval shall not be unreasonably withheld, conditioned or delayed. For purposes of calculating the dollar amount of committed Housing Program Funds in determining compliance with this Section 401, the gross amount of any reservation of state or federal low income housing tax credits shall be discounted by a reasonable factor to approximate the amount the Qualified Tax Credit Investor would invest in the Project.

B. (§402) Acquisition of the Site.

1. **Acquisition of the Site.** The Site shall consist of the three lots (collectively, the "Site") that the Agency owns and will merge prior to the transfer of the Site to Developer. The 3 lots are identified as follows:

4 S "D" Street	313-081-001	.41 acres	\$ 0.00
24 S "D" Street	313-081-0010	.48 acres	\$1,500,000.00
40 S "D" Street	313-081-009	.44 acres	\$ 450,000.00
	Totals	1.33 acres	\$1,950,000.00

The Agency's cost to acquire and prepare the Site, not including remediation of Environmental Conditions as described in Section 409, shall be included in the calculation of the Agency Financial Assistance. Remediation of Environmental Conditions shall not be included in the Agency Financial Assistance.

C. **(§403) Disposition of the Site.**

At the time set forth in the Schedule of Performance, Agency shall convey the Site to Developer and Developer shall acquire the Site from Agency, upon the terms and conditions hereinafter set forth. Without limiting the generality of the foregoing, Developer shall not be obligated to accept any partial conveyance of the Site except as provided in Section 405.4, and, unless otherwise agreed to by the parties hereto, Agency shall convey fee title to all three lots which comprise the Site to Developer at one time.

1. **Purpose of Sale.** Developer agrees to develop the Site with eighty-four (84) rental units which, other than the one (1) rental Unit for a Qualified Manager, shall be restricted for rent to Senior Citizens, all as described in the Scope of Development.

2. **Agency's Financial Assistance to Developer.**

The total estimated cost of the Project is approximately \$29,220,000.00, as further described in the Project Budget. This estimated cost includes the Site acquisition costs and the hard and soft costs of constructing the Project. No more than Six Million Dollars (\$6,000,000.00) of the total financing will be secured or provided by Agency ("Agency Financial Assistance"). The Agency Financial Assistance shall include the Agency's contribution of the Site, including Site acquisition. The balance of the Agency Financial Assistance will be disbursed in accordance with the Project Budget and may take the form of cash disbursements, reimbursements, or such other form as deemed necessary by the parties to carry out the Project. At Closing, the Agency Financial Assistance will be disbursed in an amount necessary to reimburse Developer for any third party costs, including any land deposits, expended prior to Closing relating to the acquisition of the Site and development of the Project. Additional Agency Financial Assistance shall be available for disbursement during construction of the Project as requested by Developer.

The Agency Financial Assistance is based on the attached Project Budget which assumes a 9% tax credit application in the first round which occurs after Developer receives all

discretionary approvals from City for the Site and Agency completes remediation of the Site pursuant to Section 409. The Project Budget also assumes a contribution of approximately \$1,000,000 from the County of Riverside HOME program ("County Funds"), which County Funds are proposed to be utilized by Developer for predevelopment costs, including but not limited to direct and indirect costs associated with preparation of construction drawings.

To preserve the tax-exempt status of the bond proceeds used for the Agency Financial Assistance, the Agency Financial Assistance shall be in the form of a grant directly to TELACU Homes, a California nonprofit public benefit corporation and the managing general partner of Developer. TELACU Homes shall in turn make a mirror loan to Developer under terms reasonably approved by Agency. TELACU Homes shall use all Agency Financial Assistance for approved Project Costs, and Developer shall certify such use to Agency. In no event shall the Agency Financial Assistance exceed \$6,000,000.

D. (\$404) Escrow.

Escrow shall be opened within the time period specified in the Schedule of Performance. This Agreement shall constitute the joint escrow instructions of Agency and Developer for the Site, and a duplicate original of this Agreement shall be delivered to the Escrow Agent upon the opening of Escrow. Escrow Agent is empowered to act under these instructions. Agency and Developer shall promptly prepare, execute, and deliver to the Escrow Agent such additional escrow instructions consistent with the terms herein as shall be reasonably necessary. No provision of any additional escrow instructions shall modify this document without specific written approval of the modifications by both Developer and Agency.

E. (\$405) Conditions to Close of Escrow for Acquisition.

1. **Developer's Conditions to Closing.** Developer's obligation to acquire the Site and to close Escrow hereunder, shall, in addition to any other conditions set forth herein in favor of Developer, be conditional and contingent upon the satisfaction, or waiver by Developer, of each and all of the following conditions (collectively, "Developer's Conditions to Closing") within the time provided in the Schedule of Performance:

a. Title shall be conveyed in subject only to conditions and exceptions recited in the Deed, the Deed of Trust, and the Regulatory Agreement.

b. Agency shall have deposited into escrow a certificate ("FIRPTA Certificate") in such form as may be required by the Internal Revenue service pursuant to Section 1445 of the Internal Revenue Code.

c. Developer shall have obtained evidence of financing commitments for the acquisition and development of the Site in accordance with Sections 408.1 - 408.4, and Agency shall have approved such commitments.

d. Developer shall have obtained a reservation of LIHTC from the California Tax Credit Allocation Committee.

e. Agency shall have deposited into escrow the executed Grant Deed.

f. Developer shall have obtained from the City all required approvals and permits, including site plan review, conditional use, subdivision, building, grading, landscaping, and others for development of the Site as the Project.

Any waiver of the foregoing conditions must be express and in writing. In the event that the foregoing conditions have not been satisfied within the time provided therefor in the Schedule of Performance, either party may terminate this Agreement by delivering a written notice in accordance with Section 411.

2. Agency's Conditions to Closing. Agency's obligation to sell the Site and to close escrow hereunder, shall, in addition to any other conditions set forth herein in favor of Agency, be conditional and contingent upon the satisfaction, or waiver by Agency, of each and all of the following conditions (collectively, "Agency's Conditions to Closing") within the time provided in the Schedule of Performance:

a. Developer shall have obtained evidence of financing commitments for the acquisition and development of the Site in accordance with Sections 408.1 - 408.4, and Agency shall have approved such commitments.

b. Developer shall have obtained a reservation of LIHTC from the California Tax Credit Allocation Committee.

c. Developer shall have timely submitted to Agency plans and drawings for all improvements to be constructed on the Site, including for site plan review, conditional use, building, grading, landscaping and other plans and drawings, as provided in Section 502.

d. Developer shall not have made or attempted to make a Transfer in violation of Section 303, provided that Agency shall give notice of any violation of Section 303 and afford Developer the opportunity to cure the violation.

e. Developer shall have deposited into escrow the executed Regulatory Agreement and Deed of Trust.

f. Developer shall have deposited into escrow all the documents required under Section 406.4.

Any waiver of the foregoing conditions must be express and in writing. In the event that Developer fails to satisfy Agency's foregoing conditions or defaults in the performance of its obligations hereunder, Agency may terminate this Escrow.

3. Both Parties' Conditions to Closing. Prior to the Closing Date, Developer and Agency shall execute and deliver a certificate ("Taxpayer ID Certificate") in such form as may be required by the IRS pursuant to Section 6045 of the Internal Revenue Code, or the regulations issued pursuant thereto, certifying as to the description of the Site, date of closing, gross price, and taxpayer identification number for Developer and Agency. Prior to the Closing, Developer and Agency shall cause to be delivered to the Escrow Agent such other items, instruments and documents, and the parties shall take such further actions, as may be

necessary or desirable in order to complete the Closing. At the Closing neither party shall be in breach of its obligations hereunder.

4. **Conveyance Prior to Closing.** Notwithstanding the foregoing, Developer and Agency may agree to a partial conveyance of the Site prior to Closing, if they mutually agree such partial conveyance is necessary to provide collateral to secure the Housing Program Funds described in Section 401 or the County Funds described in Section 403.2.

F. **(§406) Conveyance of the Site.**

1. **Time for Conveyance.** Escrow shall close after satisfaction of all conditions to close of escrow, but not later than the date specified in the Schedule of Performance, unless extended by the mutual agreement of the parties or any Enforced Delay. Possession of the Site, shall be delivered to Developer concurrently with the conveyance of title.

2. **Escrow Agent to Advise of Costs.** On or before the date set in the Schedule of Performance, the Escrow Agent shall advise the Agency and the Developer in writing of the fees, charges, and costs necessary to clear title and close escrow, and of any documents which have not been provided by said party and which must be deposited in Escrow to permit timely Closing.

3. **Deposits By Agency Prior to Closing.** On or before, but not later than 1:00 p.m. of the date set in the Schedule of Performance, Agency shall execute, acknowledge and deposit into escrow (i) the Grant Deed; (ii) an estoppel certificate certifying that Developer has completed all acts, other than as specified, necessary for conveyance, if such be the fact; and (iii) payment to Escrow Agent of Agency's share of costs as determined by the Escrow Agent pursuant to Section 410.

4. **Deposits By Developer Prior to Closing.** On or before, but not later than 1:00 p.m. of the date set in the Schedule of Performance, Developer shall execute and acknowledge as may be required and deposit into escrow: (i) the Regulatory Agreement; (ii) the Deed of Trust; (iii) an estoppel certificate certifying that Agency has completed all acts, other than as specified, necessary to conveyance, if such be the fact; and (iv) payment to Escrow Agent of Developer's share of costs as determined by the Escrow Agent pursuant to Section 410.

5. **Recordation and Disbursement of Funds.** Upon the completion by the Agency and Developer of the deliveries and actions specified in these escrow instructions precedent to Closing, the Escrow Agent shall be authorized to buy, affix and cancel any documentary stamps and pay any transfer tax and recording fees, if required by law, and thereafter cause to be recorded in the appropriate records of Riverside County, California, the Deed, the Regulatory Agreement, the Deed of Trust, and any other appropriate instruments delivered through this escrow, if necessary or proper to, and provided that the fee title interest can, vest in Developer in accordance with the terms and provisions herein. Concurrent with recordation, Escrow Agent shall deliver the Title Policy to Developer insuring title and conforming to the requirements of Section 407. Following recordation, the Escrow Agent shall deliver copies of said instruments to Developer and Agency.

G. **(§407) Title Matters.**

1. **Condition of Title.** Agency shall convey to Developer fee interest in the entire Site, subject only to: (i) the Redevelopment Plan, this Agreement, conditions in the Deed, the Deed of Trust, and the Regulatory Agreement; (ii) current taxes, a lien not yet payable; (iii) quasi-public utility, public alley and public street easements of record approved by Developer, which approval shall not be unreasonably withheld; and (iv) covenants, conditions and restrictions, reciprocal easements, and other encumbrances and title exceptions approved by Developer under this Section. Agency shall convey title pursuant to the Deed in the form set forth in Attachment No. 6 hereto.

2. **Agency Not to Encumber Site.** Agency hereby warrants to Developer that it has not and will not, from the Effective Date of this Agreement through close of Escrow, transfer, sell, hypothecate, pledge, or otherwise encumber the Site without express written permission of Developer.

3. **Approval of Title Exceptions.** Prior to the date in the Schedule of Performance, Agency shall deliver a preliminary title report for the lot known as 4 S "D" Street, dated no earlier than the date of this Agreement, to Developer including copies of all documents referenced therein. Prior to the date in the Schedule of Performance, Developer shall deliver to Agency written notice, with a copy to Escrow Agent, specifying in detail any exception disapproved and the reason therefor. Prior to the date in the Schedule of Performance, Agency shall deliver written notice to Developer as to whether Agency will or will not cure the disapproved exceptions. If Agency elects not to cure the disapproved exceptions, Developer may terminate this Agreement without any liability of Agency to Developer, or Developer may withdraw its earlier disapproval. If Agency elects to cure the disapproved exceptions, Agency shall do so on or before the close of Escrow.

Developer acknowledges that it has previously reviewed title reports for the two (2) other lots which create the Site, and that Developer agrees to accept title to such lots as title presently exists.

4. **Title Policy.** At the close of escrow, Escrow Agent shall furnish Developer with an ALTA Policy of Title Insurance ("Title Policy") for the Developer's interest, wherein the Title Company shall insure that title to the Site shall be vested in Developer, containing no exception to such title which has not been approved or waived by Developer in accordance with this Section. The Title Policy shall include any available additional title insurance, extended coverage or endorsements that Developer has reasonably requested. The Agency shall pay only for that portion of the title insurance premium attributable to the standard coverage. Developer shall pay for the premium for any additional title insurance, extended coverage or special endorsements.

H. (§408) Evidence of Financial Capability.

Within the time set forth in the Schedule of Performance, Developer shall submit to Agency's Executive Director for approval evidence reasonably satisfactory to the Executive Director that Developer has the financial capability necessary for the acquisition of the Site and development of the Project thereon pursuant to this Agreement. Such evidence of financial capability shall include all of the following:

1. Reliable cost estimates for Developer's total cost of acquiring the Site and developing the Project (including both "hard" and "soft" costs).

2. A complete copy of the construction loan commitment obtained by Developer to finance the development of the Project, or such other documentation reasonably satisfactory to the Executive Director sufficient to demonstrate that Developer has adequate funds available and committed to finance the development of the Project.

3. A financial statement and/or other documentation reasonably satisfactory to the Executive Director sufficient to demonstrate that Developer has adequate funds available and/or committed to cover the difference between the total acquisition costs of the Site and development costs of the Project (subparagraph (1) above) and the proceeds of the construction loan commitment (subparagraph (2) above).

4. A copy of the proposed contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof. The Executive Director shall also have the right to review and approve any revisions that are made to the proposed contract after its approval by the Executive Director.

5. Documentation that Developer has secured adequate Housing Program Funds for the development of the Project as described in Section 401.

Developer covenants and agrees to take all action, furnish all information, give all consents and pay all sums reasonably required to keep the construction loan commitment in full force and effect and shall comply in all material aspects with all conditions thereof, and shall promptly execute, acknowledge and deliver all applications, credit applications and data, financial statements, and documents in connection therewith.

I. (§409) Condition of Site.

1. **Site Assessment and Remediation.** The Site consists of the three lots identified in Section 402.1, specifically 4, 24, and 40 South D Street. 24 and 40 South D Street are collectively referred to as 24 South D Street. For the purpose of this Section 409, the regulatory agency for 4 South D Street is the County of Riverside ("County"), and the regulatory agency for 24 South D Street is the California Regional Water Quality Control Board, Santa Ana Region ("RWQCB"). Agency, through its consultant, has investigated the Site and performed a Phase 1 and Phase 2 Site Assessment. In addition, Agency has submitted the necessary documentation and proposed workplans to the regulatory agencies. By a letter dated August 18, 2008, the RWQCB approved the revised workplan for 24 South D Street.

Following completion of the workplan, if directed by the applicable regulatory agency, Agency shall prepare a Remedial Action Plan and shall provide Developer and its environmental consultant the opportunity to review and approve the Remedial Action Plan prior to its submittal to the applicable regulatory agency, which approvals shall not be unreasonably withheld or delayed. The Remedial Action Plan will include removing foundations, pipelines, vaults and other underground structures and debris which would interfere with the development of the Project, and will leave the Site in a rough graded condition. Agency shall thereafter

perform, at its sole cost and expense, any necessary soil remediation and other work pursuant to the Remedial Action Plan and as necessary to satisfy the statutory and regulatory requirements of the applicable regulatory agency or which are prerequisite to the development, occupancy and use of the Site for the Project. The Developer may terminate this Agreement without liability if the foregoing standard cannot be achieved.

After the Agency has completed the above work, the Agency's consultant shall certify that the Site has been remediated to satisfy the requirements of any governmental entity of appropriate jurisdiction, and shall deliver a health risk assessment concluding the risks to persons to be on the Site in furtherance of Developer's use of the Site are within acceptable limits. Developer shall not unreasonably refuse to accept such certification, but it is expressly agreed that the refusal of Developer's lender to accept such certification shall be a reasonable basis for Developer's action. Should Developer reasonably refuse the certification provided by Agency's consultant, Developer may, at its expense, hire the consultant of its choice to provide such certification. If Developer cannot obtain such certification from its consultant, Developer may terminate this Agreement without liability.

Notwithstanding anything to the contrary in this Section 409.1, Agency and Developer acknowledge that at the time of this Agreement the extent of the Remedial Action Plan is unknown. The Parties further acknowledge that if the cost and/or time to complete the Remedial Action Plan is too extensive, Agency and/or Developer shall have the right to terminate this agreement as described herein. If the estimated cost of completing this Remedial Action Plan exceeds two hundred thousand dollars (\$200,000), the Agency may elect to terminate this Agreement, provided that upon such termination Developer shall deliver all plans and documents to Agency and Agency shall reimburse Developer as provided in Section 411.3(a) below. If the estimated completion date of the Remedial Action Plan would result in missing the application deadline for two TCAC allocation rounds as specified in the Schedule of Performance, either party may elect to terminate this Agreement.

2. **Disclaimer of Warranties.** Upon the Close of Escrow, Developer shall acquire the Site in its "AS-IS" condition and shall be responsible for any defects in the Site, whether patent or latent, including, without limitation, the physical, and geotechnical condition of the Site. Agency makes no representation or warranty concerning the physical, geotechnical or other condition of the Site, the suitability of the Site for the Project, or the present use of the Site, and specifically disclaims all representations or warranties of any nature concerning the Site made by Agency or the City and their employees, agents and representatives. The foregoing disclaimer includes, without limitation, topography, climate, air, water rights, utilities, present and future zoning, soil, subsoil, the purpose for which the Site is suited, or drainage. Moreover, Agency makes no representation or warranty concerning the compaction of soil upon the Site, nor of the suitability of the soil for construction. Notwithstanding the foregoing, prior to Closing Agency shall be responsible, at its sole cost and expense, for the remediation of the Site pursuant to Section 409.1.

3. **Right to Enter Site, Indemnification.** Developer shall have the right to enter upon the Site to conduct soils, engineering, or other tests and studies, to perform preliminary work or Site investigation or for any other purposes to carry out the terms of this Agreement. Developer shall indemnify, defend and hold Agency harmless from and against any

claims, injuries or damages arising out of or involving any such entry or activity as provided in Section 505. Any such activity shall be undertaken only after securing any necessary permits from the appropriate governmental agencies and providing Agency with certificates of insurance evidencing the coverages required in Section 506.

4. **Hazardous Materials.** Developer understands and agrees that in the event Developer incurs any loss or liability concerning Hazardous Materials (as hereinafter defined) and/or oil wells and/or underground storage tanks and/or pipelines whether attributable to events occurring prior to or following the Closing, then Developer may look to current or prior owners of the Site, but under no circumstances shall Developer look to Agency or City for any liability or indemnification regarding Hazardous Materials and/or oil wells and/or underground storage tanks and/or pipelines, except if such loss or liability is the result of Agency's or City's failure to disclose the existence of any known Hazardous Materials and/or oil wells and/or underground storage tanks and/or pipelines. Developer, and each of the entities constituting Developer, if any, from and after the Closing, hereby waives, releases, remises, acquits and forever discharges Agency, City, their directors, officers, employees, and agents, and their respective heirs, successors, personal representatives and assigns, of and from any and all Environmental Claims, Environmental Cleanup Liability and Environmental Compliance Costs, as those terms are defined below, and from any and all actions, suits, legal or administrative orders or proceedings, demands, actual damages, punitive damages, loss, costs, liabilities and expenses, which concern or in any way relate to the physical or environmental conditions of the Site, the existence of any Hazardous Material thereon, or the release or threatened release of Hazardous Materials therefrom, whether existing prior to, at or after the Closing. It is the intention of the parties pursuant to this release that any and all responsibilities and obligations of Agency and City, and any and all rights, claims, rights of action, causes of action, demands or legal rights of any kind of Developer, its successors, assigns or any affiliated entity of Developer, against the Agency or City, arising by virtue of the physical or environmental condition of the Site, the existence of any Hazardous Materials thereon, or any release or threatened release of Hazardous Material therefrom, whether existing prior to, at or after the Closing, are by this Release provision declared null and void and of no present or future force and effect as to the parties; provided, however, that no parties other than the Indemnified Parties (defined below) shall be deemed third party beneficiaries of such release. In connection therewith, Developer and each of the entities constituting Developer, expressly agree to waive any and all rights which said party may have under Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

DEVELOPER'S INITIALS: 

AGENCY'S INITIALS: 

Developer and each of the entities constituting Developer, shall, from and after the Closing, defend, indemnify and hold harmless Agency, City and their officers, directors, employees, agents and representatives (collectively, the "Indemnified Parties") from and against any and all Environmental Claims, Environmental Cleanup Liability, Environmental Compliance Costs, and any other claims, actions, suits, legal or administrative orders or proceedings,

demands or other liabilities resulting at any time from the physical and/or environmental conditions of the Site, unless resulting from the Indemnified Parties' negligence or willful misconduct, whether before or after the Closing or from the existence of any Hazardous Materials or the release or threatened release of any Hazardous Materials of any kind whatsoever, in, on or under the Site occurring at any time whether before or after the Closing, including, but not limited to, all foreseeable and unforeseeable damages, fees, costs, losses and expenses, including any and all attorneys' fees and environmental consultant fees and investigation costs and expenses, directly or indirectly arising therefrom, and including fines and penalties of any nature whatsoever, assessed, levied or asserted against any Indemnified Parties to the extent that the fines and/or penalties are the result of a violation or an alleged violation of any Environmental Law. Developer further agrees that in the event Developer obtains, from former or present owners of the Site or any other persons or entities, releases from liability, indemnities, or other forms of hold harmless relating to the subject matter of this Section, Developer shall use its diligent efforts to obtain for Agency and City the same releases, indemnities and other comparable provisions.

For purposes of this Section 409, the following terms shall have the following meanings:

a. "Environmental Claim" means any claim for personal injury, death and/or property damage made, asserted or prosecuted by or on behalf of any third party, including, without limitation, any governmental entity, relating to the Site or its operations and arising or alleged to arise under any Environmental Law.

b. "Environmental Cleanup Liability" means any cost or expense of any nature whatsoever incurred to contain, remove, remedy, clean up, or abate any contamination or any Hazardous Materials on or under all or any part of the Site, including the ground water thereunder, including, without limitation, (A) any direct costs or expenses for investigation, study, assessment, legal representation, cost recovery by governmental agencies, or ongoing monitoring in connection therewith and (B) any cost, expense, loss or damage incurred with respect to the Site or its operation as a result of actions or measures necessary to implement or effectuate any such containment, removal, remediation, treatment, cleanup or abatement.

c. "Environmental Compliance Cost" means any cost or expense of any nature whatsoever necessary to enable the Site to comply with all applicable Environmental Laws in effect. "Environmental Compliance Cost" shall include all costs necessary to demonstrate that the Site is capable of such compliance.

d. "Environmental Law" means any federal, state or local statute, ordinance, rule, regulation, order, consent decree, judgment or common-law doctrine, and provisions and conditions of permits, licenses and other operating authorizations relating to (A) pollution or protection of the environment, including natural resources, (B) exposure of persons, including employees, to Hazardous Materials or other products, raw materials, chemicals or other substances, (C) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases of chemical substances from industrial or commercial activities, or (D) regulation of the manufacture, use or introduction into commerce of chemical

substances, including, without limitation, their manufacture, formulation, labeling, distribution, transportation, handling, storage and disposal.

e. "Hazardous Material" is defined to include any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is: (A) petroleum or oil or gas or any direct or derivate product or byproduct thereof; (B) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (C) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act); (D) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Sections 25501(j) and (k) and 25501.1 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (E) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (F) "used oil" as defined under Section 25250.1 of the California Health and Safety Code; (G) asbestos; (H) listed under Chapter 11 of Division 4.5 of Title 22 of the California Code of Regulations, or defined as hazardous or extremely hazardous pursuant to Chapter 10 of Division 4.5 of Title 22 of the California Code of Regulations; (I) defined as waste or a hazardous substance pursuant to the Porter-Cologne Act, Section 13050 of the California Water Code; (J) designated as a "toxic pollutant" pursuant to the Federal Water Pollution Control Act, 33 U.S.C. § 1317; (K) defined as a "hazardous waste" pursuant to the Federal Resource Conservation and Recovery Act, 42 U.S.C. § 6901 *et seq.* (42 U.S.C. § 6903); (L) defined as a "hazardous substance" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 *et seq.* (42 U.S.C. § 9601); (M) defined as "Hazardous Material" pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 *et seq.*; or (N) defined as such or regulated by any "Superfund" or "Superlien" law, or any other federal, state or local law, statute, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning Hazardous Materials and/or oil wells and/or underground storage tanks and/or pipelines, as now, or at any time here-after, in effect.

Notwithstanding any other provision of this Agreement, Developer's release and indemnification as set forth in the provisions of this Section, as well as all provisions of this Section, shall survive the termination of this Agreement and shall continue in perpetuity.

J. (§410) Costs of Escrow.

1. **Allocation of Costs.** The Escrow Agent is authorized to allocate costs as follows: Agency shall pay the cost of the Title Policy as provided above while Developer shall pay premiums for any additional insurance, extended coverage or special endorsements. Agency shall pay the documentary transfer tax as well as all recording fees. Developer and Agency shall each pay one-half of all escrow and similar fees, except that if one party defaults under this Agreement, the defaulting party shall pay all Escrow fees and charges. Each party shall pay its own attorneys' fees.

2. Proration and Adjustments. Ad valorem taxes and assessments on the Site and insurance for the current year shall be prorated by the Escrow Agent as of the date of Closing with the Agency responsible for those levied, assessed or imposed prior to Closing and the Developer responsible for those after Closing. If the actual taxes are not known at the date of Closing, the proration shall be based upon the most current tax figures. When the actual taxes for the year of Closing become known, Developer and Agency shall, within thirty days thereafter, reprorate the taxes in cash between the parties.

3. Extraordinary Services of Escrow Agent. It is understood that Escrow fees and charges contemplated by this Agreement incorporate only the ordinary services of the Escrow Agent as listed in these instructions. In the event that the Escrow Agent renders any service not provided for in this Agreement or that there is any assignment of any interest in the subject matter of this Escrow or that any controversy arises hereunder, or that the Escrow Agent is made a party to, or reasonably intervenes in, any litigation pertaining to this Escrow or the subject matter thereof, then the Escrow Agent shall be reasonably compensated for such extraordinary services and reimbursed for all costs and expenses occasioned by such default, controversy or litigation.

4. Escrow Agent's Right to Retain Documents. Escrow Agent shall have the right to retain all documents and/or other things of value at any time held by it hereunder until such compensation, fees, costs and expenses shall be paid. The undersigned hereby jointly and severally promise to pay such sums upon demand.

K. (§411) Termination of Escrow.

1. Termination. Escrow may be terminated by demand of either party who then shall have fully performed its obligations hereunder required to be performed by the date of such demand if:

a. The Conditions to Closing have not occurred or have not been approved, disapproved, or waived as the case may be, by the approving party by the date established herein for the occurrence of such Condition, including any grace period pursuant to this Section; or

b. Either party is in breach of the terms and conditions of this Agreement; or

c. Either party has been granted such right expressly in this Agreement, including, but not limited to, the right to terminate pursuant to Section 409.1.

In the event of the foregoing, the terminating party may, in writing, demand return of its money, papers, or documents from the Escrow Agent and shall deliver a copy of such demand to the non-terminating party. No demand shall be recognized by the Escrow Agent until fifteen (15) days after the Escrow Agent shall have mailed copies of such demand to the non-terminating party, and if no objections are raised in writing to the terminating party and the Escrow Agent by the non-terminating party within the fifteen (15) day period. In the event of such objections, the opportunity to cure shall be provided as stated below in subsection 2 of this Section. In addition, the Escrow Agent is authorized to hold all money, papers, and documents

until instructed in writing by both Developer and Agency or, upon failure thereof, by a court of competent jurisdiction. If no such demands are made, the Escrow shall be closed as soon as possible and neither party shall have any further liability to the other.

2. **Opportunity to Cure.** Prior to Closing, in the event any of the Conditions to Closing are not satisfied or waived by the party with the power to approve said Conditions ("approving party"), then such party shall explain in writing to the other party ("nonapproving party") the reason for the disapproval. Thereafter, the nonapproving party shall have an additional thirty (30) days to satisfy any such Condition to Closing, and only if such Conditions still cannot be satisfied may the approving party terminate the Escrow. In the event Escrow is not in a condition to close because of a default by any party, and the performing party has made demand as stated in Subsection 1 of this Section, then upon the non-performing party's delivering its objection to Escrow Agent and the performing party within the above thirty (30) day period, the non-performing party shall have the right to cure the default in accordance with and in the time provided in Section 801.

3. **Other Duties upon Termination.** Upon termination of Escrow pursuant to this Section for any reason, the Parties shall have the following duties and obligations in addition to any others described above:

a. Agency shall reimburse Developer for \$221,000 of approved third party costs, including land deposits, expended by Developer prior to execution of this Agreement related to the acquisition of the Site and development of the Project. In addition, all plans, drawings, specifications, reports, and other documents prepared by Developer or Developer's contractors or vendors shall become the property of the Agency and shall be delivered to Agency by Developer within ten (10) days of receipt of notice from Agency; provided that (i) Agency shall reimburse Developer up to \$250,000 for the cost of preparing such plans, drawings, specifications, reports, and other documents prepared by Developer's contractors or vendors (ii) all necessary third party consents have been obtained, and (iii) such plans, drawings, specifications, reports, and other documents prepared by Developer's contractors or vendors shall be delivered without any representation or warranty of Developer.

b. In the event such termination is due to the default of Developer, Agency shall be entitled to terminate this Agreement and to receive repayment from Developer for all of Agency's disbursements of the Agency Financial Assistance made to, or on behalf of, Developer or the Project, with interest calculated at the rate of zero percent (0%), which repayment shall be made within fifteen (15) days of receipt of written notice from Agency. In the event that Developer fails to remit repayment of such amounts to Agency within fifteen (15) days after receipt of written notice from Agency therefor, interest on the unpaid amounts shall accrue interest at the highest maximum legal rate dating from the date of the notice to the date of repayment.

c. In the event such termination is due to the default of Agency, Developer shall be entitled to terminate this Agreement, and in such case Developer shall not be required to repay Agency any of the amounts described in subparagraph (b) above but Developer shall not be entitled to any damages of any kind, provided, however, Agency shall reimburse

Developer for reasonable Project costs incurred prior to such termination, but not yet paid as of termination.

d. Any portion of the Site that has been conveyed to Developer prior to such termination (including but not limited to portions of the Site transferred pursuant to Section 406.4) shall be reconveyed to Agency within thirty (30) days following such termination. Developer agrees to execute any documents and take all actions necessary to accomplish the reconveyance.

L. **(§412) Responsibility of Escrow Agent.**

1. **Deposit of Funds.** In accordance with Section 405, all funds received in Escrow shall be deposited by the Escrow Agent in a special interest-bearing escrow account with any state or national bank doing business in the State of California and may not be combined with other escrow funds of Escrow Agent or transferred to any other general escrow account or accounts.

2. **Notices.** All communications from the Escrow Agent shall be directed to the addresses and in the manner provided in Section 901 of this Agreement for notices, demands and communications between Agency and Developer.

3. **Sufficiency of Documents.** The Escrow Agent is not to be concerned with the sufficiency, validity, correctness of form, or content of any document prepared outside of Escrow and delivered to Escrow. The sole duty of the Escrow Agent is to accept such documents and follow Developer's and Agency's instructions for their use.

4. **Exculpation of Escrow Agent.** The Escrow Agent shall in no case or event be liable for the failure of any of the Conditions to Closing of this Escrow, or for forgeries or false personation, unless such liability or damage is the result of negligence or willful misconduct by the Escrow Agent.

5. **Responsibilities in the Event of Controversies.** If any controversy documented in writing arises between Developer and Agency or with any third party with respect to the subject matter of this Escrow or its terms or conditions, the Escrow Agent shall not be required to determine the same; to return any money, papers or documents, or take any action regarding the Site prior to settlement of the controversy by a final decision of a court of competent jurisdiction or written agreement of the parties to the controversy. The Escrow Agent shall be responsible for timely notifying Developer and Agency of the controversy. In the event of such a controversy, the Escrow Agent shall not be liable for interest or damage costs resulting from failure to timely close escrow or take any other action unless such controversy has been caused by the failure of the Escrow Agent to perform its responsibilities hereunder.

V. **(§500) DEVELOPMENT OF THE SITE.**

A. **(§501) Scope of Development.**

The Site shall be developed by Developer as provided in the Scope of Development, the Regulatory Agreement, and the plans and permits approved by Agency and City pursuant to Section 502.

B. (§502) Development Plans, Final Building Plans and Environmental Review.

1. **Proposed Development's Consistency With Plan and Codes.** Agency warrants and represents that the City's General Plan, Zoning Ordinance, and Redevelopment Plan permit Developer's proposed development, and construction, operation, and use of the Site as provided in this Agreement including, without limitation, the Scope of Development, subject only to (i) approval of the Project pursuant to Health and Safety Code Sections 33433, (ii) those development approvals yet to be obtained, including proposed General Plan and Zoning Ordinance amendments, Site Plan Review and subdivision approval (if required), and (iii) City's and Agency's review and approval of the Project in accordance with the California Environmental Quality Act; provided that it is expressly understood by the parties hereto that Agency makes no representations or warranties with respect to approvals required by any other governmental entity or with respect to approvals hereinafter required from City and Agency, Agency and City reserving full police power authority over the Project. Nothing in this Agreement shall be deemed to be a prejudgment or commitment with respect to such items, nor a guarantee that such approvals or permits will be issued within any particular time or with or without any particular conditions.

2. **Evolution of Development Plan.** Concurrently with the approval of this Agreement, the Agency has approved the Developer's Basic Concept Drawings. On or before the date set forth in the Schedule of Performance, Developer shall submit to the City preliminary, and thereafter final, drawings and specifications for development of the Site and each Site thereof in accordance with the Scope of Development, and all in accordance with the City's requirements. The term preliminary and final drawings shall be deemed to include site plans, building plans and elevations, grading plans, if applicable, landscaping plans, parking plans, signage, a description of structural, mechanical, and electrical systems, and all other plans, drawings and specifications. Final drawings will be in sufficient detail to obtain a building permit. Said plans, drawings and specifications shall be consistent with the Scope of Development and the various development approvals referenced hereinabove, except as such items may be amended by City (if applicable) and by mutual consent of Agency and Developer. Plans (concept, preliminary and construction) shall be progressively more detailed and will be approved if a logical evolution of plans, drawings or specifications previously approved. Plans in sufficient detail to obtain all discretionary land use approvals, including for site plan approval, conditional use permit, and other actions requiring Planning Commission approval, shall be submitted and processed concurrently for the Site.

3. **Developer Best Efforts to Obtain Approvals.** Developer shall exercise its best efforts to timely submit all documents and information necessary to obtain all development and building approvals from the City in a timely manner. Not by way of limitation of the foregoing, in developing and constructing the Project, Developer shall comply with all applicable development standards in City's Municipal Code and shall comply with all building code, landscaping, signage, and parking requirements, except as may be permitted through approved variances and modifications.

4. Agency Assistance. Subject to Developer's compliance with (i) the applicable City and Agency development standards for the Site, and (ii) all applicable laws and regulations governing such matters as public hearings, site plan review and environmental review, Agency agrees to provide reasonable assistance to Developer, at no cost to Agency, in the processing of Developer's submittals required under this Section. City or Agency's failure to provide necessary approvals or permits within such time periods, after and despite Developer's reasonable efforts to submit the documents and information necessary to obtain the same, shall constitute an Enforced Delay.

5. Disapproval. The Agency shall approve or disapprove any submittal made by Developer pursuant to this Section within sixty (60) days after such submittal. All submittals made by Developer will note the 60-day time limit, and specifically reference this Agreement and this Section. Any disapproval shall state in writing the reason for the disapproval and the changes which the Agency requests be made. Developer shall make the required changes and revisions and resubmit for approval as soon as is reasonably practicable but no more than thirty (30) days after the date of disapproval. Thereafter, Agency shall have an additional thirty (30) days for review of the resubmittal, but if the Agency disapproves the resubmittal, then the cycle shall repeat, until the Agency's approval has been obtained. The foregoing time periods may be shortened if so specified in the Schedule of Performance.

6. CEQA. This Agreement and the Project contemplated herein are consistent with the Redevelopment Plan and were thus deemed approved for the purposes of the California Environmental Quality Act ("CEQA") at the time the Redevelopment Plan and related Environmental Impact Report ("EIR") were adopted by the City, in accordance with CEQA Guideline 15180. The development of the Project is contingent upon the Developer obtaining the appropriate Project entitlements and the subsequent close of escrow for the Site. The exact project description and parameters have not been established and are subject to the processing and approval of appropriate development plans by the City in the City's discretion. If the Developer does not obtain entitlements for the Project, the Site will remain vacant and will not be conveyed to the Developer, and there will be no environmental impact. Thus, the City will necessarily be lead agency for the reviewing the Project in compliance with the requirements of CEQA when the Project application(s) are submitted to the City by Developer, and the City will determine whether a subsequent EIR, supplemental EIR, or other environmental review is required by CEQA Guideline 15162 or 15163. Developer agrees to supply information and otherwise assist the City, upon Agency's request, to determine the environmental impact of the proposed development and to assist the City's preparation and processing of such environmental documents, if any, as necessary for the development to comply with the requirements of CEQA.

C. (§503) Developer Responsibilities During Construction.

The cost of constructing all of the improvements required to be constructed for the Project shall be borne by Developer. As all of the Agency Financial Assistance to Developer is being used exclusively for the low income housing portion of the Project, the parties do not believe that the Project would be considered to be a "public work" "paid for in whole or in part out of public funds," as described in California Labor Code Section 1720. Notwithstanding the foregoing, to the extent that (contrary to the parties' intent) Developer is required to or is determined to be responsible to pay prevailing wages for the Project, Developer shall defend and

hold the Agency and the City harmless from and against any all increase in construction costs, or other liability, loss, damage, costs, or expenses (including reasonable attorneys' fees and court costs) arising from or as a result of any action or determination that any portion of the Project is subject to payment of prevailing wages:

In addition, in developing the Site, Developer shall water the ground as reasonably required by Agency, and take such other actions as Agency shall reasonably require to minimize the impact of construction and airborne debris on nearby property.

D. (§504) Schedule of Performance; Progress Reports.

Subject to Section 903, Developer shall begin and complete all plans, reviews, construction and development specified in the Scope of Development within the times specified in the Schedule of Performance or such reasonable extensions of said dates as may be mutually approved in writing by the parties.

Once construction is commenced, it shall be diligently pursued to completion, and shall not be abandoned for more than thirty (30) consecutive days, except when due to an Enforced Delay. Developer shall keep the Agency informed of the progress of construction and shall submit monthly written reports of the progress of the construction to the Agency in the form required by the Agency.

E. (§505) Indemnification During Construction.

During the periods of construction on the Site and until such time as the Agency has issued a Release of Construction Covenants with respect to the construction of the improvements thereon, the Developer agrees to and shall indemnify and hold the Agency and the City harmless from and against all liability, loss, damage, costs, or expenses (including reasonable attorneys' fees and court costs) arising from or as a result of the death of any person or any accident, injury, loss, or damage whatsoever caused to any person or to the property of any person which shall occur on the Site and which shall be directly or indirectly caused by any acts done thereon or any errors or omissions of the Developer or its agents, servants, employees, or contractors. The Developer shall not be responsible for (and such indemnity shall not apply to) any acts, errors, or omissions of the Agency or the City, or their respective agents, servants, employees, or contractors. The Agency and City shall not be responsible for any acts, errors, or omissions of any person or entity except the Agency and the City and their respective agents, servants, employees, or contractors, subject to any and all statutory and other immunities. The provisions of this Section shall survive the termination of this Agreement.

F. (§506) Insurance.

Except as provided in this Section, prior to the entry by Developer on the Site pursuant to Section 409.3 and prior to the commencement of any construction by Developer on the Project, Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to Agency, during the entire term of such entry or construction, the following policies of insurance:

1. **Commercial General Liability Insurance.** A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of TWO MILLION DOLLARS (\$2,000,000.00).

2. **Worker's Compensation Insurance.** A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure and provide legal defense for the Developer, Agency and the City against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by the Developer in the course of carrying out the work or services contemplated in this Agreement.

3. **Automobile Insurance.** A policy of automobile liability insurance written on a per occurrence basis in an amount not less than ONE MILLION DOLLARS (\$1,000,000.00) combined single limit per accident for bodily injury and property damage covering owned, leased, hired, and non-owned vehicles.

4. **Builder's Risk Insurance.** A policy of "Builder's Risk" insurance covering the full replacement value of all of the improvements to be constructed by Developer pursuant to this Agreement plus Developer's personal property and equipment. Developer shall procure the builder's risk insurance policy prior to commencing construction.

All of the above policies of insurance, except the Builder's Risk Insurance, shall be primary insurance and shall name Agency, City, and their officers, employees, and agents as additional insureds. The insurer shall waive all rights of subrogation and contribution it may have against Agency, City, and their officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or cancelled without providing thirty (30) days prior written notice to Agency and City. In the event any of said policies of insurance are cancelled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section to the Executive Director. No work or services under this Agreement shall commence until the Developer has provided Agency with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by Agency.

The policies of insurance required by this Agreement shall be satisfactory only if issued by companies qualified to do business in California, rated "A" or better in the most recent edition of Best Rating Guide, The Key Rating Guide or in the Federal Register, and only if they are of a financial category Class VII or better, unless such requirements are waived by the Risk Manager of the City ("Risk Manager") due to unique circumstances.

Developer shall provide in all contracts with contractors, subcontractors, architects, and engineers that said contractor, subcontractor, architect, or engineer shall maintain the same policies of insurance required to be maintained by Developer pursuant to this Section, unless waived or modified by the Risk Manager.

The Developer agrees that the provisions of this Section shall not be construed as limiting in any way the extent to which the Developer may be held responsible for the payment of

damages to any persons or property resulting from the Developer's activities or the activities of any person or persons for which the Developer is otherwise responsible.

G. (§507) City and Other Governmental Agency Permits.

Before commencement of construction or development of any buildings, structures, or other works of improvement upon the Site which are Developer's responsibility under the applicable Scope of Development, Developer shall at his own expense secure or cause to be secured any and all permits which may be required by City or any other governmental agency affected by such construction, development or work. Developer shall not be obligated to construct if any permit is not issued despite good faith effort by Developer. If there is delay beyond the usual time for obtaining any such permits due to no fault of Developer, the Schedule of Performance shall be extended to the extent such delay prevents any action which could not legally or would not in accordance with good business practices be expected to occur before such permit was obtained. Developer shall pay all normal and customary fees and charges applicable to such permits and any fees or charges hereafter imposed by City or Agency which are standard for and uniformly applied to similar projects in the City.

H. (§508) Rights of Access.

Representatives of the Agency shall have the reasonable right to access the Site without charges or fees, at any time during normal construction hours during the period of construction and upon reasonable notice to Developer, for the purpose of assuring compliance with this Agreement, including but not limited to the inspection of the construction work being performed by or on behalf of Developer. Such representatives of Agency shall be those who are so identified in writing by the Executive Director of Agency. Each such representative of Agency shall identify himself or herself at the job site office upon his or her entrance to the Site, and shall provide Developer, or the construction superintendent or similar person in charge on the Site, a reasonable opportunity to have a representative accompany him or her during the inspection. Agency shall indemnify, defend, and hold Developer harmless from any injury or property damage caused or liability arising out of Agency's exercise of this right of access.

I. (§509) Applicable Laws.

Developer shall carry out the construction of the improvements to be constructed by Developer in conformity with all applicable laws, including all applicable federal and state labor laws.

J. (§510) Nondiscrimination During Construction.

Developer, for himself and his successors and assigns, agrees that in the construction of the improvements to be constructed by Developer, it shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry or national origin.

K. (§511) Taxes, Assessments, Encumbrances and Liens.

Developer shall pay, prior to delinquency, all real estate taxes and assessments assessed or levied subsequent to conveyance of title. Until the date Developer is entitled to the issuance by Agency of a Release of Construction Covenants, Developer shall not place or allow to be placed thereon any mortgage, trust deed, encumbrance or lien (except mechanic's liens prior to suit to foreclose the same being filed) prohibited by this Agreement. Developer shall remove or have removed any levy or attachment made on the Site, or assure the satisfaction thereof, within a reasonable time, but in any event prior to a sale thereunder. Nothing herein contained shall be deemed to prohibit Developer from contesting the validity or amounts of any tax, assessment, encumbrance or lien, or to limit the remedies available to Developer in respect thereto.

L. **(§512) Rights of Holders of Approved Security Interests in Site.**

1. **Definitions.** As used in this Section, the term "mortgage" shall include any mortgage, whether a leasehold mortgage or otherwise, deed of trust, or other security interest, or sale and lease-back, or any other form of conveyance for financing. The term "holder" shall include the holder of any such mortgage, deed of trust, or other security interest, or the lessor under a lease-back, or the grantee under any other conveyance for financing.

2. **No Encumbrances Except Mortgages to Finance The Project.** Notwithstanding the restrictions on transfer in Section 303, mortgages required for any reasonable method of financing of the construction of the improvements are permitted before issuance of a Release of Construction Covenants but only for the purpose of securing loans of funds used or to be used for financing the acquisition of the Site, for the construction of improvements thereon, and for any other expenditures necessary and appropriate to develop the Site under this Agreement, or for restructuring or refinancing any for same, so long as the refinancing does not exceed the then outstanding balance of the existing financing, including any additional costs for completion of construction, whether direct or indirect, based upon the estimates of architects and/or contractors. The Developer (or any entity permitted to acquire title under this Section) shall notify the Agency in advance of any mortgage, if the Developer or such entity proposes to enter into the same before issuance of the Release of Construction Covenants. The Developer or such entity shall not enter into any such conveyance for financing without the prior written approval of the Agency, which shall not be unreasonably withheld, conditioned or delayed, as provided in Section 408. Any lender approved by the Agency pursuant to Section 408 shall not be bound by any amendment, implementation, or modification to this Agreement subsequent to its approval without such lender giving its prior written consent thereto. In any event, the Developer shall promptly notify the Agency of any mortgage, encumbrance, or lien that has been created or attached thereto prior to issuance of a Release of Construction Covenants, whether by voluntary act of the Developer or otherwise.

3. **Developer's Breach Not to Defeat Mortgage Lien.** Developer's breach of any of the covenants or restrictions contained in this Agreement shall not defeat or render invalid the lien of any mortgage made in good faith and for value as to the Site, or any part thereof or interest therein, but unless otherwise provided herein, the terms, conditions, covenants, restrictions, easements, and reservations of this Agreement shall be binding and effective against the holder of any such mortgage of the Site whose interest is acquired by foreclosure, trustee's sale or otherwise.

4. **Holder Not Obligated to Construct or Complete Improvements.** The holder of any mortgage shall in no way be obligated by the provisions of this Agreement to construct or complete the improvements or to guarantee such construction or completion. Nothing in this Agreement shall be deemed or construed to permit or authorize any such holder to devote the Site or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

5. **Notice of Default to Mortgages, Deed of Trust or other Security Interest Holders.** Whenever Agency shall deliver any notice or demand to Developer with respect to any breach or default by Developer hereunder, Agency shall at the same time deliver a copy of such notice or demand to each holder of record of any mortgage who has previously made a written request to Agency therefor, or to the representative of such lender as may be identified in such a written request by the lender. No notice of default shall be effective as to the holder unless such notice is given.

6. **Right to Cure.** Each holder (insofar as the rights of Agency are concerned) shall have the right, at its option, within ninety (90) days after the receipt of the notice, to:

a. obtain possession, if necessary, and to commence and diligently pursue said cure until the same is completed, and

b. add the cost of said cure to the security interest debt and the lien or obligation on its security interest;

provided that in the case of a default which cannot with diligence be remedied or cured within such ninety (90) day period, such holder shall have additional time as reasonably necessary to remedy or cure such default.

In the event there is more than one such holder, the right to cure or remedy a breach or default of Developer under this Section shall be exercised by the holder first in priority or as the holders may otherwise agree among themselves, but there shall be only one exercise of such right to cure and remedy a breach or default of Developer under this Section.

No holder shall undertake or continue the construction or completion of the improvements (beyond the extent necessary to preserve or protect the improvements or construction already made) without first having expressly assumed Developer's obligations to Agency by written agreement satisfactory to Agency with respect to the Site or any portion thereof in which the holder has an interest. The holder must agree to complete, in the manner required by this Agreement, the improvements to which the lien or title of such holder relates, and submit evidence satisfactory to the Agency that it has the qualifications and financial responsibility necessary to perform such obligations. Any holder properly completing such improvements shall be entitled, upon written request made to Agency, to a Release of Construction Covenants from Agency.

7. **Agency's Rights upon Failure of Holder to Complete Improvements.** In any case where one hundred eighty (180) days after default by Developer in completion of construction of improvements under this Agreement, the holder of any mortgage creating a lien

or encumbrance upon the Site or improvements thereon has not exercised the option to construct afforded in this Section or if it has exercised such option and has not proceeded diligently with construction, Agency may, after ninety (90) days' notice to such holder and if such holder has not exercised such option to construct within said ninety (90) day period, purchase the mortgage, upon payment to the holder of an amount equal to the sum of the following:

a. The unpaid mortgage debt plus any accrued and unpaid interest (less all appropriate credits, including those resulting from collection and application of rentals and other income received during foreclosure proceedings, if any);

b. All expenses incurred by the holder with respect to foreclosure, if any;

c. The net expenses (exclusive of general overhead), incurred by the holder as a direct result of the ownership or management of the Site, such as insurance premiums or real estate taxes, if any;

d. The costs of any improvements made by such holder, if any; and

e. An amount equivalent to the interest that would have accrued on the aggregate of such amounts had all such amounts become part of the mortgage debt and such debt had continued in existence to the date of payment by the Agency.

In the event that the holder does not exercise its option to construct afforded in this Section, and Agency elects not to purchase the mortgage of holder, upon written request by the holder to Agency, Agency agrees to use reasonable efforts to assist the holder selling the holder's interest to a qualified and responsible party or parties (as determined by Agency), who shall assume the obligations of making or completing the improvements required to be constructed by Developer, or such other improvements in their stead as shall be satisfactory to Agency. The proceeds of such a sale shall be applied first to the holder of those items specified in subparagraphs a. through e. hereinabove, and any balance remaining thereafter shall be applied as follows:

(1) First, to reimburse Agency, on its own behalf and on behalf of the City, for all costs and expenses actually and reasonably incurred by Agency, including but not limited to payroll expenses, management expenses, legal expenses, and others.

(2) Second, to reimburse Agency, on its own behalf and on behalf of the City, for all payments made by Agency to discharge any other encumbrances or liens on the Site or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of Developer, its successors or transferees.

(3) Third, to reimburse Agency, on its own behalf and on behalf of the City, for all costs and expenses actually and reasonably incurred by Agency, in connection with its efforts assisting the holder in selling the holder's interest in accordance with this Section.

(4) Fourth, any balance remaining thereafter shall be paid to Developer.

8. Right of Agency to Cure Mortgage, Deed of Trust or Other Security Interest Default. In the event of a default or breach by Developer (or entity permitted to acquire title under this Section) of a mortgage prior to the issuance by Agency of a Release of Construction Covenants for the Site or portions thereof covered by said mortgage, and the holder of any such mortgage has not exercised its option to complete the development, Agency may cure the default prior to completion of any foreclosure. In such event, Agency shall be entitled to reimbursement from Developer or other entity of all costs and expenses incurred by Agency in curing the default, to the extent permitted by law, as if such holder initiated such claim for reimbursement, including legal costs and attorneys' fees, which right of reimbursement shall be secured by a lien upon the Site to the extent of such costs and disbursements. Any such lien shall be subject to:

- a. Any mortgage for financing permitted by this Agreement; and
- b. Any rights or interests provided in this Agreement for the protection of the holders of such mortgages for financing;

provided that nothing herein shall be deemed to impose upon Agency any affirmative obligations (by the payment of money, construction or otherwise) with respect to the Site in the event of its enforcement of its lien.

9. Right of Agency to Satisfy Other Liens on the Site After Conveyance of Title. After the conveyance of title and prior to the recordation of a Release of Construction Covenants for construction and development, and after the Developer has had a reasonable time to challenge, cure, or satisfy any liens or encumbrances on the Site or any portion thereof, the Agency shall have the right to satisfy any such liens or encumbrances; provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount thereof, and so long as such delay in payment shall not subject the Site or any portion thereof to forfeiture or sale.

M. (§513) Release of Construction Covenants.

Upon the completion of all construction required to be completed by Developer on the Site, Agency shall furnish Developer with a Release of Construction Covenants for the Site in the form attached hereto as Attachment No. 5 upon written request therefor by Developer. The Release of Construction Covenants shall be executed and notarized so as to permit it to be recorded in the office of the Recorder of Riverside County. A Release of Construction Covenants shall be, and shall state that it constitutes, conclusive determination of satisfactory completion of the construction and development of the improvements required by this Agreement upon the Site and of full compliance with the terms of this Agreement with respect thereto. A partial Release of Construction Covenants applicable to less than the entire Site shall not be permitted.

After the issuance of a Release of Construction Covenants, any party then owning or thereafter purchasing, leasing or otherwise acquiring any interest in the Site shall not (because of such ownership, purchase, lease, or acquisition) incur any obligation or liability under this Agreement with respect to the Site, except that such party shall be bound by the covenants, encumbrances, and easements contained in the Deed and the Regulatory Agreement attached hereto. After issuance of a Release of Construction Covenants, the Agency shall not have any rights or remedies under this Agreement with respect to the Site, except as otherwise set forth or incorporated in the Deed or the Regulatory Agreement.

Agency shall not unreasonably withhold a Release of Construction Covenants. If Agency refuses or fails to furnish a Release of Construction Covenants within thirty (30) days after written request from Developer or any entity entitled thereto, Agency shall provide a written statement of the reasons Agency refused or failed to furnish a Release of Construction Covenants. The statement shall also contain Agency's opinion of the action Developer must take to obtain a Release of Construction Covenants. If the reason for such refusal is confined to the immediate availability of specific items or materials for landscaping, or other minor so-called "punch list" items, Agency will issue its Release of Construction Covenants upon the posting of a bond in an amount representing one hundred fifty percent (150%) of the fair value of the work not yet completed or other assurance reasonably satisfactory to Agency.

A Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a mortgage, or any insurer of a mortgage securing money loaned to finance the improvements, or any part thereof. Such Release of Construction Covenants is not notice of completion as referred to in the California Civil Code Section 3093. Nothing herein shall prevent or affect Developer's right to obtain a Certificate of Occupancy from the City before the Release of Construction Covenants is issued.

N. (§514) Estoppels.

No later than thirty (30) days after the request of Developer or any holder of a mortgage or deed of trust, Agency shall, from time to time and upon the request of such holder, execute and deliver to Developer or such holder a written statement of Agency that no default or breach exists (or would exist with the passage of time, or giving of notice or both) by Developer under this Agreement, if such be the determination of the Agency, and certifying as to whether or not Developer has at the date of such certification complied with any obligation of Developer hereunder as to which such holder may inquire. The form of any estoppel letter shall be prepared by the holder or Developer and shall be at no cost to Agency.

VI. (§600) USES AND MAINTENANCE OF THE SITE

A. (§601) Uses of the Site.

The Developer covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Developer, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor the improvements, nor any portion thereof, shall be improved, used or occupied in violation of any applicable governmental restrictions or the restrictions of this Agreement. Furthermore,

Developer and its successors and assigns shall not initiate, maintain, commit, or permit the maintenance or commission on the Site or in the improvements, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Site or the improvements, or any portion thereof. Developer further covenants and agrees on behalf of itself and its successors and assigns to devote, use, operate and maintain the Site in accordance with this Agreement, the Grant Deed, the Regulatory Agreement, and the other documents recorded against the Residential Units pursuant to the provisions of this Agreement.

Notwithstanding anything to the contrary or that appears to be to the contrary in this Agreement, Developer hereby covenants, on behalf of itself, and its successors and assigns, which covenants shall run with the land and bind every successor and assign in interest of Developer, that Developer and such successors and assigns shall use the Site solely for the purpose of constructing, maintaining and operating a project meeting the requirements and restrictions of this Agreement, including, without limitations, restriction of the rental and occupancy of the Residential Units only to Qualified Tenants for a rent not in excess of an Affordable Rent for the period specified herein.

B. (§602) Affordable Housing.

1. **Construction of Affordable Housing.** The Developer covenants and agrees to construct a maximum of eighty-four (84) Residential Units, including one (1) Manager's Unit, in conformity with the Scope of Development. All of the Residential Units, other than the Manager's Unit, shall be restricted to rental at an Affordable Rent to Extremely Low, Very Low and Low Income Households. The location, size and specifications of the Residential Units shall be as set forth in the Scope of Development and as further designated by the Agency. All Residential Units, other than the Manager's Unit, shall be subject to and shall be leased in compliance with the tenant selection criteria described in the Regulatory Agreement.

2. **Residential Unit Requirements.** All Residential Units constructed pursuant to this Agreement shall be occupied at all times only by the household of the Qualified Tenant who has rented that Residential Unit. Developer covenants to cooperate with Agency in taking all steps necessary to implement this requirement with respect to all Qualified Tenants. In addition, all Qualified Tenants shall meet and shall be prioritized in accordance with the Tenant Selection Criteria. The restrictions upon rental and use of each Residential Unit shall continue for a period of fifty-five (55) years from the close of Escrow for the initial rental of the Residential Unit by the Developer to a Qualified Tenant.

3. **Leasing of Residences by Developer.**

a. **Marketing Program.** Prior to the deadline specified in the Schedule of Performance, Developer shall prepare and obtain Agency's approval (which shall not be unreasonably withheld) of a marketing and leasing program ("Approved Marketing Program") for the selection of tenants for the Residential Units at the Project. The Residential Units shall thereafter be marketed in accordance with the Approved Marketing Program as the same may be amended by Developer from time to time with Agency's prior written approval, which shall not be unreasonably withheld. Monthly

during the initial lease-up period, and annually thereafter, Developer shall provide Agency with a report with respect to Residential Units under lease, leases in default, the status of implementation of the Approved Marketing Program, and such other information as Agency may reasonably request. Agency agrees to exercise reasonable efforts to assist Developer in connection with implementation of the Approved Marketing Program; provided, Agency shall not be under any obligation to incur any out-of-pocket expenses in connection therewith.

b. **Restricted Residences.** As set forth above, each of the Residential Units shall be rented to a Qualified Tenant for a rental rate which does not exceed an Affordable Rent for the applicable Residential Unit.

c. **Annual Tenancy Report.** Developer shall provide Agency annually, by January 31, with a report on Project occupancy for each Residential Unit, including information concerning the number of months during which each Residential Unit was occupied and the income category and Senior Citizen status of each tenant household occupying a Residential Unit. The annual report and Developer's records related to each tenancy shall be subject to inspection and audit upon Agency's written request.

C. **(§603) Obligation to Refrain from Discrimination.**

There shall be no discrimination against, or segregation of, any persons, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the rental, sale, lease, sublease, transfer, use, occupancy, or enjoyment of the Site, or any portion thereof, nor shall Developer, or any person claiming under or through Developer, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site or any portion thereof (except as permitted by this Agreement). The nondiscrimination and nonsegregation covenants contained herein shall remain in effect in perpetuity.

D. **(§604) Form of Nondiscrimination and Nonsegregation Clauses.**

Subject to the tenancy/occupancy restrictions on the Residential Units not prohibited by federal law as embodied in this Agreement, which may modify the following nondiscrimination clauses, the following shall apply: Developer shall refrain from restricting the rental, sale, or lease of any portion of the Site on the basis of race, color, creed, religion, sex, marital status, ancestry or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. **Deeds:** In Deeds the following language shall appear: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee, or any persons claiming

under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

2. Leases: In Leases the following language shall appear: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions; That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, sublessees, subtenants or vendees in the premises herein leased."

3. Contracts: Any contracts which Developer or Developer's heirs, executors, administrators, or assigns propose to enter into for the sale, transfer, or leasing of the Site shall contain a nondiscrimination and nonsegregation clause substantially as set forth in Section 603 and in this Section. Such clause shall bind the contracting party and subcontracting party or transferee under the instrument.

E. (§605) Maintenance of Improvements.

Developer covenants and agrees for itself, its successors and assigns, and every successor in interest to the Site or any part thereof, that, after Agency's issuance of its Release of Construction Covenants the Developer shall be responsible for maintenance of all improvements that may exist on the Site from time to time, including without limitation buildings, parking lots, lighting, signs, and walls, in first-class condition and repair, and shall keep the Site free from any accumulation of debris or waste materials. The Developer shall also maintain all landscaping required pursuant to Developer's approved landscaping plan in a healthy condition, including replacement of any dead or diseased plants. The foregoing maintenance obligations shall run with the land in accordance with and for the term of the Regulatory Agreement. Developer's further obligations to maintain the Site, and Agency's remedies in the event of Developer's default in performing such obligations, are set forth in the Regulatory Agreement. Developer hereby waives any notice, public hearing, and other requirements of the public nuisance laws and ordinances of the City that would otherwise apply, except as specified in said Regulatory Agreements. Upon the sale of any portion of the Site, Developer (but not Developer's successor) shall be released from the requirements imposed by this Section 605, and the financial liability therefor, as to the portion of the Site conveyed.

F. (§606) Effect of Covenants.

Agency is deemed a beneficiary of the terms and provisions of this Agreement and of the restrictions and covenants running with the land, whether appearing in the Deed or the Regulatory Agreement, for and in its own right for the purposes of protecting the interests of the community in whose favor and for whose benefit the covenants running with the land have been

provided. The covenants in favor of Agency shall run without regard to whether Agency has been, remains or is an owner of any land or interest therein in the Site, or in the Redevelopment Project Area, and shall be effective as both covenants and equitable servitudes against the Site. Agency shall have the right, if any of the covenants set forth in this Agreement which are provided for its benefit are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it may be entitled. With the exception of the City, no other person or entity shall have any right to enforce the terms of this Agreement under a theory of third-party beneficiary or otherwise. The covenants running with the land and their duration are set forth in the Deed and the Regulatory Agreement.

VII. (§700) SPECIAL PROVISIONS

A. (§701) Amendments to this Agreement to Comply with Housing Program Fund Requirements.

If reasonable changes to this Agreement are required by the entities providing Housing Program Funds pursuant to Section 401, the parties agree to effectuate such changes in order to be in compliance with the requirements. The Executive Director is authorized, without further approval of the Agency, to make changes to this Agreement and the Regulatory Agreement as required to satisfy the requirements described herein.

B. (§ 702) Property Management Agreement.

Not applicable. Section reserved for numbering purposes.

VIII. (§800) DEFAULTS, REMEDIES AND TERMINATION

A. (§801) Defaults, Right to Cure and Waivers.

Subject to any Enforced Delay, failure or delay by either party to timely perform any covenant of this Agreement constitutes a default under this Agreement, but only if the party who so fails or delays does not commence to cure, correct or remedy such failure or delay within thirty (30) days after receipt of a written notice specifying such failure or delay, and does not thereafter prosecute such cure, correction or remedy with diligence to completion.

The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until thirty (30) days after giving such notice. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

Developer's limited partner shall have the right but not the obligation to cure any default of Developer under this Agreement and Agency agrees to accept any cure tendered by Developer's limited partner on behalf of Developer within the cure periods stated in this section.

Except as otherwise provided in this Agreement, waiver by either party of the performance of any covenant, condition or promise, shall not invalidate this Agreement, nor shall

it be considered a waiver of any other covenant, condition, or promise. Waiver by either party of the time for performing any act shall not constitute a waiver of time for performing any other act or an identical act required to be performed at a later time. The delay or forbearance by either party in exercising any remedy or right as to any default shall not operate as a waiver of any default or of any rights or remedies or to deprive such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

B. (§802) Legal Actions.

1. **Institution of Legal Actions.** In addition to any other rights or remedies, and subject to the requirements of Section 801, either party may institute legal action to cure, correct or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purpose of this Agreement. Legal actions must be instituted and maintained in the Superior Court of the County of Riverside, State of California, in any other appropriate court in that county, or in the Federal District Court in the Central District of California.

2. **Applicable Law and Forum.** The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

3. **Acceptance of Service of Process.** In the event that any legal action is commenced by Developer against Agency, service of process on Agency shall be made by personal service upon the Executive Director or Secretary of Agency or in such other manner as may be provided by law.

In the event that any legal action is commenced by Agency against Developer, service of process on Developer shall be made in such manner as may be provided by law and shall be valid whether made within or outside of the State of California.

C. (§803) Rights and Remedies are Cumulative.

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

D. (§804) Specific Performance.

In addition to any other remedies permitted by this Agreement, if either party defaults hereunder by failing to perform any of its obligations herein, each party agrees that the other shall be entitled to the judicial remedy of specific performance, and each party agrees (subject to its reserved right to contest whether in fact a default does exist) not to challenge or contest the appropriateness of such remedy. In this regard, Developer specifically acknowledges that Agency is entering into this Agreement for the purpose of assisting in the redevelopment of the Site and not for the purpose of enabling Developer to speculate with land.

E. (§805) Right of Reverter.

The Agency shall have the right, at its option, to reenter and take possession of the Site or any portion thereof with all improvements thereon and to terminate and re-vest in the Agency the estate conveyed to the Developer, if after conveyance of the estate and prior to the recordation of the Release of Construction Covenants, the Developer (or his successors in interest) shall:

1. Fail to commence construction of the improvements as required by this Agreement, if such failure is in violation of the Schedule of Performance, for a period of 90 days after issuance of a building permit, provided that the Developer shall not have obtained an extension or postponement to which the Developer may be entitled pursuant to this Agreement; or

2. Abandon or substantially suspend construction of the improvements for a period of 90 days after written notice of such abandonment or suspension from the Agency, provided that the Developer shall not have obtained an extension of time to which the Developer may be entitled pursuant to this Agreement; or

3. Assign or attempt to assign this Agreement, or any rights herein, or Transfer, or suffer any involuntary Transfer of, the Site, or any part thereof, in violation of this Agreement, and such violation shall not be cured within one hundred twenty (120) days after the date of receipt of written notice thereof by the Agency to the Developer.

The right to re-enter, repossess, terminate, and re-vest shall be subject to and be limited by and shall not defeat, render invalid, or limit:

1. Any mortgage, deed of trust, or other security interests permitted by this Agreement; or

2. Any rights or interests provided in this Agreement for the protection of the holders of such mortgages, deeds of trust, or other security interests.

Upon the re-vesting in Agency of possession of the Site, or any part thereof, as provided in this Section 805, Agency shall, pursuant to its responsibilities under state law, use its best efforts to release, or resell the Site, as the case may be, or any part thereof, as soon and in such manner as Agency shall find feasible and consistent with the objectives of such law and of the Redevelopment Plan to a qualified and responsible party or parties (as determined by the Agency), who will assume the obligation of making or completing the improvements, or such other improvements in their stead, as shall be satisfactory to the Agency and in accordance with the uses specified for the Site, or any part thereof, in the Redevelopment Plan.

In the event of a resale, the proceeds thereof shall be applied as follows:

1. First, to reimburse the Agency on its own behalf or on behalf of the City for all costs and expenses incurred by the Agency, including but not limited to, salaries to personnel, legal costs and attorneys' fees, and all other contractual expenses in connection with the recapture, management, and resale of the Site (but less any income derived by the Agency from the Site or part thereof in connection with such management); all taxes, assessments and water and sewer charges with respect to the Site (or, in the event the Site is exempt from taxation or assessment or such charges during the period of ownership, then such taxes, assessments, or

charges, as determined by the City, as would have been payable if the Site were not so exempt); any payments made or necessary to be made to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations incurred with respect to the making or completion of the agreed improvements or any part thereof on the Site or part thereof; and amounts otherwise owing the Agency by the Developer, its successors, or transferees; and

2. Second, to reimburse the Developer, its successor or transferee, up to the amount equal to (i) the sum of the Purchase Price paid to the Agency by the Developer for the Site, (ii) the costs incurred for the development of the Site and for the agreed improvements existing on the Site at the time of the re-entry and repossession, less (iii) any gains or income withdrawn or made by the Developer from the Site or the improvements thereon.

3. Any balance remaining after such reimbursements shall be retained by the Agency as its property.

To the extent that the right established in this Section involves a forfeiture, it must be strictly interpreted against the Agency, the party for whose benefit it is created. The rights established in this Section are to be interpreted in light of the fact that the Agency will sell the Site to the Developer for development, and not for speculation in undeveloped land.

F. (§806) Attorneys' Fees.

If either party to this Agreement is required to initiate or defend any action or proceeding in any way arising out of the parties' agreement to, or performance of, this Agreement, or is made a party to any such action or proceeding by the Escrow Agent or other third party, such that the parties hereto are adversarial, the prevailing party, as between the Developer and Agency only, in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the other. As used herein, the "prevailing party" shall be the party determined as such by a court of law, pursuant to the definition Code of Civil Procedure Section 1032(a)(4), as it may be subsequently amended. Attorneys' fees shall include attorneys' fees on any appeal, and in addition a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

IX. (§900) GENERAL PROVISIONS

A. (§901) Notices, Demands and Communications Between the Parties.

Except as expressly provided to the contrary herein, any notice, consent, report, demand, document or other such item to be given, delivered, furnished or received hereunder shall be deemed given, delivered, furnished, and received when given in writing and personally delivered to an authorized agent of the applicable party, or upon delivery by the United States Postal Service, first-class registered or certified mail, postage prepaid, return receipt requested, or by a national "overnight courier" such as Federal Express, at the time of delivery shown upon such receipt; or by facsimile, if such facsimile is followed by a notice sent out the same day by mail;

in any case, delivered to the address, addresses and persons as each party may from time to time by written notice designate to the other and who initially are:

Agency: Perris Redevelopment Agency
101 North "D" Street
Perris, CA 92570
Attn: Executive Director

Copy to: Aleshire & Wynder, LLP
18881 Von Karman Avenue, Suite 400
Irvine, CA 92612
Attn: Eric L. Dunn, Esq.

Developer: Perris Housing Investors, L.P.
5400 E. Olympic Blvd., Ste. 300
Los Angeles, CA 90022
Attn: John Clem

Developer's
limited partner: Multi-Housing Partners, LLC
320 Golden Shore, Suite 200
Long Beach, California 90802
Attention: Legal Department

Copy to: MacFarlane Costa Housing Partners, LLC
320 Golden Shore, Suite 200
Long Beach, California 90802
Attention: Legal Department

B. (§902) Nonliability of City and Agency Officials and Employees; Conflicts of Interest; Commissions.

1. **Personal Liability.** No member, official, employee, agent or contractor of City or Agency shall be personally liable to Developer in the event of any default or breach by Agency or for any amount which may become due to Developer or on any obligations under the terms of the Agreement; provided, it is understood that nothing in this Section 902 is intended to limit Agency's liability.

2. **Financial Interest.** No member, official, employee or agent of City or Agency shall have any financial interest, direct or indirect, in this Agreement, nor participate in any decision relating to this Agreement which is prohibited by law.

3. **Commissions.** Neither the Agency nor the Developer has retained any broker or finder or has paid or given, and will not pay or give, any third person any money or

other consideration for obtaining this Agreement. No party shall be liable for any real estate commissions, brokerage fees or finders fees which may arise from this Agreement, and each party agrees to hold the other harmless from any claim by any broker, agent, or finder retained by such party.

C. (§903) Enforced Delay: Extension of Times of Performance.

Time is of the essence in the performance of this Agreement.

Notwithstanding the foregoing, in addition to specific provisions of this Agreement, performance by either party hereunder shall not be deemed to be in default where delays or defaults are due to war; insurrection; strikes; lock-outs; riots, floods; earthquakes; fires; casualties; supernatural causes; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; subsurface conditions on the Site and unknown soils conditions; governmental restrictions or priority litigation; unusually severe weather; acts of the other party; acts or the failure to act of a public or governmental agency or entity (except that acts or the failure to act of Agency or City shall not excuse performance by Agency unless the act or failure is caused by the acts or omissions of Developer); or any other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. In the event of such a delay (herein "Enforced Delay"), the party delayed shall continue to exercise reasonable diligence to minimize the period of the delay. An extension of time for any such cause shall be limited to the period of the Enforced Delay, and shall commence to run from the time of the commencement of the cause, provided notice by the party claiming such extension is sent to the other party within ten (10) days of the commencement of the cause.

The following shall not be considered as events or causes beyond the control of Developer, and shall not entitle Developer to an extension of time to perform: (i) Developer's failure to obtain financing for the Project (except as provided in Section 401), and (ii) Developer's failure to negotiate agreements with prospective users for the Project or the alleged absence of favorable market conditions for such uses.

Times of performance under this Agreement may also be extended by mutual written agreement by Agency and Developer. The Executive Director of Agency shall have the authority on behalf of Agency to approve extensions of time not to exceed a cumulative total of one hundred eighty (180) days with respect to the development of the Site,

D. (§904) Books and Records.

1. **Developer to Keep Records.** Developer shall prepare and maintain all books, records and reports necessary to substantiate Developer's compliance with the terms of this Agreement or reasonably required by the Agency.

2. **Right to Inspect.** Either party shall have the right, upon not less than seventy-two (72) hours notice, at all reasonable times, to inspect the books and records of the other party pertaining to the Site as pertinent to the purposes of this Agreement.

3. **Ownership of Documents.** Copies of all drawings, specifications, reports, records, documents and other materials prepared by Developer, its employees, agents

and subcontractors, in the performance of this Agreement, which documents are in the possession of Developer and are not confidential shall be delivered to Agency upon request in the event of a termination of this Agreement, however, Developer shall be entitled to reimbursement from Agency for the cost to prepare any drawings, specifications, reports, records, documents and other materials prepared by Developer's subcontractors as a result of the exercise by Agency of its rights hereunder. Any drawings, specifications, reports, records, documents and other materials prepared by Developer's subcontractors shall be delivered without representation or warranty by Developer. The Agency shall have an unrestricted right to use such documents and materials as if it were in all respects the owner of the same. Developer makes no warranty or representation regarding the accuracy or sufficiency of such documents for any future use by Agency, and Developer shall have no liability therefor.

E. (§905) Assurances to Act in Good Faith.

Agency and Developer agree to execute all documents and instruments and to take all action, including making a deposit of funds in addition to such funds as may be specifically provided for herein, and as may be required in order to consummate conveyance and development of the Site as herein contemplated, and shall use their best efforts, to accomplish the closing and subsequent development of the Site in accordance with the provisions hereof, Agency and Developer shall each diligently and in good faith pursue the satisfaction of any conditions or contingencies subject to their approval.

F. (§906) Interpretation.

The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement. This Agreement includes all attachments attached hereto, which are by this reference incorporated in this Agreement in their entirety. This Agreement also includes the Redevelopment Plan and any other documents incorporated herein by reference, as though fully set forth herein.

G. (§907) Entire Agreement, Waivers and Amendments.

This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and this Agreement supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement, unless specified otherwise herein, must be in writing and signed by the appropriate authorities of Agency or Developer, as applicable, and all amendments hereto must be in writing and signed by the appropriate authorities of Agency and Developer.

H. (§908) Severability.

In the event any term, covenant, condition, provision or agreement contained herein is held to be invalid, void or otherwise unenforceable, by any court of competent jurisdiction, such holding shall in no way affect the validity or enforceability of any term, covenant, condition, provision or agreement contained herein.

I. (§909) Effect of Redevelopment Plan Amendment.

Pursuant to the provisions of the Redevelopment Plan relating to the modification or amendment of the Redevelopment Plan, Agency agrees that no further amendment to the Redevelopment Plan which changes the uses or development permitted on the Site, or changes the restrictions or controls that apply to the Site, or otherwise affects the Site, shall be made or become effective as to the Site without the prior written consent of Developer. Further amendments to the Redevelopment Plan applying to other property in the Project Area shall not require the consent of Developer.

J. (§910) Time for Acceptance of Agreement by Agency.

This Agreement, when executed by Developer and delivered to Agency, must be authorized, executed and delivered by Agency, after consideration at a public hearing. After execution by Developer, this Agreement shall be considered an irrevocable offer until such time as Agency is authorized to execute and deliver the Agreement.

K. (§911) Execution.

1. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

2. Agency represents and warrants that: (i) it is a Redevelopment Agency duly organized and existing under the laws of the State of California; (ii) by proper action of Agency, Agency has been duly authorized to execute and deliver this Agreement, acting by and through its duly authorized officers; and (iii) the entering into this Agreement by Agency does not violate any provision of any other agreement to which Agency is a party.

3. Developer represents and warrants that: (i) it is duly organized and existing under the laws of the State of California; (ii) by proper action of Developer, Developer has been duly authorized to execute and deliver this Agreement, acting by and through its duly authorized officers; and (iii) the entering into this Agreement by Developer does not violate any provision of any other agreement to which Developer is a party.

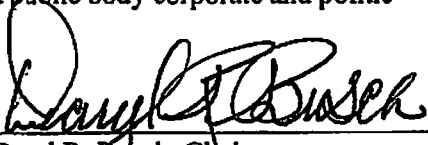
[Signatures on next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date of execution by the Agency.

“AGENCY”

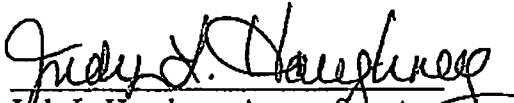
PERRIS REDEVELOPMENT AGENCY,
a public body corporate and politic

Date 4/20/2009



Daryl R. Busch, Chairman


ATTEST:



Judy L. Haughney, Agency Secretary

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

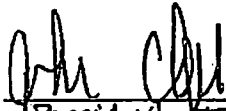


Eric L. Dunn
Agency Counsel

“DEVELOPER”

PERRIS HOUSING INVESTORS, L.P.,
a California limited partnership

By: TELACU Homes, Inc.,
a California nonprofit public benefit corporation,
its Managing General Partner

By:  John Clem
Its: President, TELACU Homes, INC.,
GENERAL PARTNER

[End of Signatures]

PERRIS STATION DDA

ATTACHMENT NO. 1

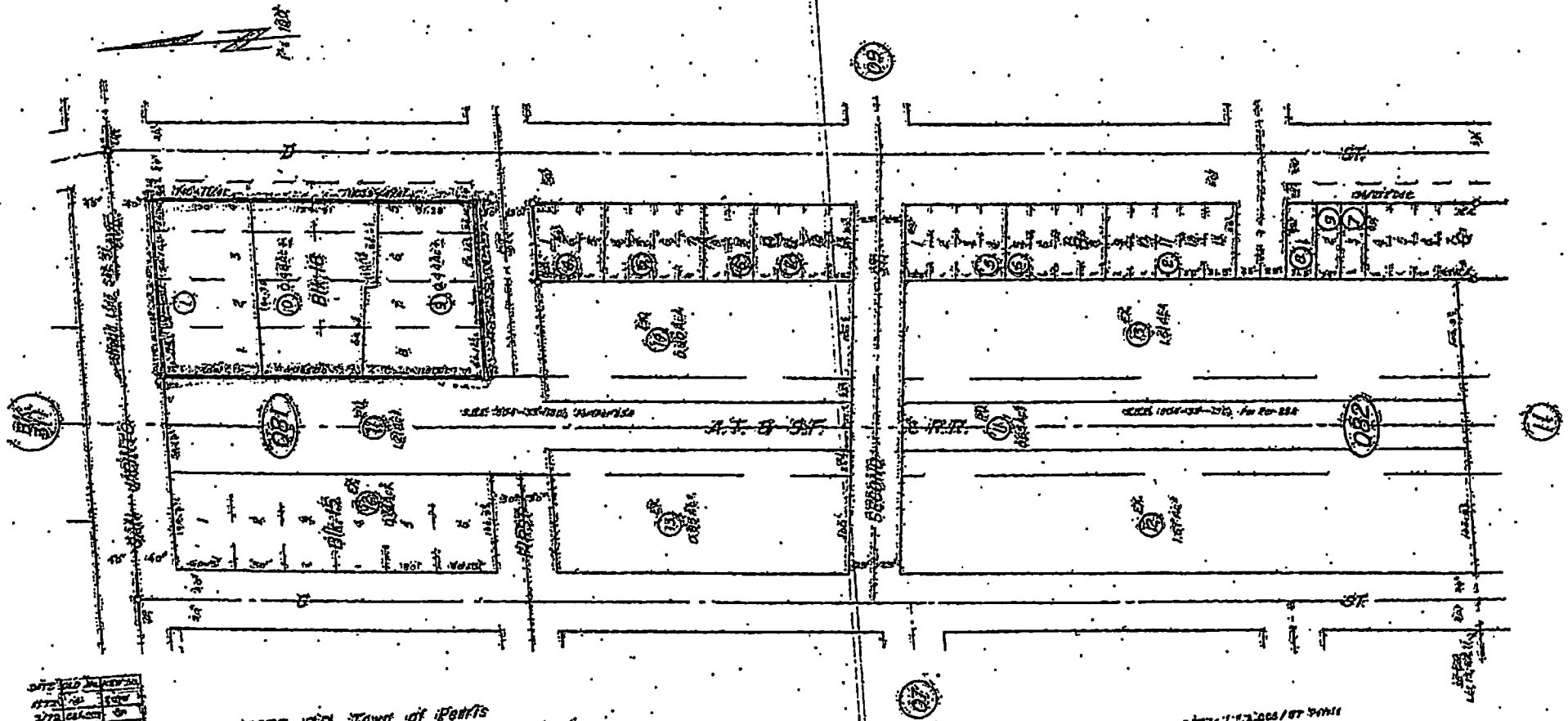
SITE MAP

DHS MAP 19 FOR
ASSESSMENT PURPOSES ONLY

FOR NE 1/4 SEC. 31, T.4S., R.5W.

313-08
18-10
18-11

TRR: 000-029



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TRR: 5720 SID: Town of Perris
TRR: 15720 SID: Ranches Addition to Perris

DATA: SERIE MAP 001-35-180
02/20/23

MAY 1971

DATA: L.E. 008/07 0011

ASSESSOR'S MAP 313 196-08
RIVERSIDE COUNTY, CALIF.

MAY 14 1970

PERRIS STATION DDA

ATTACHMENT NO. 2

LEGAL DESCRIPTION OF THE SITE

ATTACHMENT A
Legal Description

PARCEL ONE:

THAT PORTION OF LOTS 1, 2, 3 AND 4 IN BLOCK 16 OF THE TOWN OF PERRIS, IN THE CITY OF PERRIS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 5, PAGE 270 OF MAPS, SAN DIEGO COUNTY RECORDS, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID BLOCK 16;

THENCE ALONG THE WESTERLY LINE OF SAID BLOCK 16 SOUTH 4° 36' 19" WEST 100.00 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING ALONG SAID WESTERLY LINE SOUTH 4° 36' 19" WEST 103.70 FEET;

THENCE SOUTH 84° 51' 10" EAST 94.65 FEET;

THENCE SOUTH 2° 04' 18" WEST 11.72 FEET;

THENCE SOUTH 85° 58' 10" EAST 85.01 FEET TO THE WESTERLY LINE OF "D" STREET, SAID "D" STREET HAVING A HALF WIDTH RIGHT- OF -WAY OF 50.00 FEET;

THENCE ALONG SAID WESTERLY LINE OF "D" STREET, NORTH 4° 36' 27" EAST, 129.91 FEET TO A POINT LYING 100.00 FEET, AS MEASURED ALONG SAID WESTERLY LINE OF "D" STREET, FROM THE NORTHERLY LINE OF SAID BLOCK 16;

THENCE PARALLEL WITH THE NORTHERLY LINE OF SAID BLOCK 16, NORTH 89° 58' 46" WEST 180.75 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL TWO:

THAT PORTION OF LOTS 5, 6, 7 AND 8 IN BLOCK 16 OF THE TOWN OF PERRIS, AS SHOWN BY MAP ON FILE IN BOOK 5, PAGE 270 OF MAPS, SAN DIEGO COUNTY RECORDS DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID BLOCK 16;

THENCE ALONG THE WESTERLY LINE OF SAID BLOCK 16 SOUTH 4 DEGREES 36' 19" WEST 203.70 FEET TO THE TRUE POINT OF BEGINNING;

THENCE SOUTH 84 DEGREES 51' 10" EAST 94.65 FEET;

THENCE SOUTH 2 DEGREES 04' 18" WEST 11.72 FEET;

THENCE SOUTH 85 DEGREES 58' 10" EAST 85.01 FEET TO THE WESTERLY LINE OF "D" STREET, SAID "D" STREET HAVING A HALF WIDTH RIGHT-OF-WAY OF 50.00 FEET;

THENCE ALONG SAID WESTERLY LINE OF "D" STREET SOUTH 4 DEGREES 36' 27" WEST 91.28 FEET TO THE NORTHERLY LINE OF FIRST STREET, AS SHOWN ON SAID MAP, HAVING A HALF WIDTH RIGHT-OF-WAY OF 30.00 FEET;

THENCE ALONG SAID NORTHERLY LINE, NORTH 89 DEGREES 59' 19" WEST 180.75 FEET TO THE SOUTHWEST CORNER OF SAID BLOCK 16;

THENCE ALONG THE WESTERLY LINE OF SAID BLOCK 16, NORTH 4 DEGREES 36' 19" EAST 117.51 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL THREE:

THE NORTH 100 FEET, AS MEASURED ON THE WEST LINE OF LOTS 1, 2, 3 AND 4 IN BLOCK 16 OF THE MAP OF THE TOWN IN PERRIS, IN THE CITY OF PERRIS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 5 PAGE 270 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ATTACHMENT NO. 3

PERRIS STATION DDA

SCHEDULE OF PERFORMANCE

Item To Be Performed	Time for Performance	Agreement Reference
1. Agency holds public hearing on DDA. Agency approves or disapproves DDA, and, if approves, finalizes and executes DDA.		
2. Developer executes and delivers DDA to Agency	Within two weeks following Agency's approval of DDA and prior to Agency's execution	
3. Developer shall apply to all necessary funding sources (Housing Program Funds) by the following dates:	HCD IIG: April 2008 (completed) RCCDC: July 2009 (Assuming a July 2009 TCAC submittal and allocation in October 2009) FHLB AHP: October 2009 (Assuming a July 2009 TCAC submittal and allocation in October 2009) 2nd Round 2009 TCAC: July 2009 assuming (i) all discretionary approvals necessary to receive the maximum number of points reasonably available under TCAC Regulations have been obtained, and (ii) Agency has completed remediation of the Site pursuant to Section 409. 1st Round 2010 TCAC: March 2010 2nd Round 2010 TCAC: July 2010 1st Round 2011 TCAC: March 2011	

Item To Be Performed	Time for Performance	Agreement Reference
4. Developer shall demonstrate to the reasonable satisfaction of Agency evidence of awards, commitments or reservations of Housing Program Funds by the following dates:	<p>HCD IIG: July 2009</p> <p>RCCDC: December 2009 (Assuming a July 2009 TCAC submittal and allocation in October 2009)</p> <p>FHLB AHP: December 2009 (Assuming a July 2009 TCAC submittal and allocation in October 2009)</p> <p>TCAC:</p>	<p>If Developer is not successful in obtaining an award from the Tax Credit Allocation Committee in the first four funding cycles which occur after (i) Developer receives all discretionary approvals from City for the Site and (ii) Agency completes remediation of the Site pursuant to Section 409, Developer and Agency may agree to submit a fifth application if all parties agree that such application would be competitive under the then applicable TCAC scoring criteria. All times listed in this Schedule of Performance shall be extended to the extent necessary to provide for four application rounds, subject to the parties rights to terminate this Agreement pursuant to section 409.1 due to excessive remediation cost or time to complete such remediation.</p>
5. Open Escrow	Within 2 weeks after Effective Date of DDA	
6. Developer provides Agency with	Within 150 days after the date the	

Item To Be Performed	Time for Performance	Agreement Reference
evidence of financial capability	Project receives a TCAC allocation	
7. Agency approves evidence of financial capability	Within 30 days after receipt by Agency	
8. Developer secures financial commitment	Within 150 days after the date the Project receives a TCAC allocation	
9. Agency approves or disapproves financial commitment and lender	Within 30 days after receipt by Agency	
10. Agency delivers to Developer Preliminary Title Report	Within 30 days after Agency execution of DDA	
11. Developer approves or disapproves title exceptions	Within 15 days after delivery of Preliminary Title Report to Developer	
12. Agency delivers notice to Developer as to whether it will cure disapproved exceptions	Within 15 days after receipt of Developer's notice	
13. Developer presents conceptual architectural drawings to City's Planning Commission	Anticipated to be during April 2009.	
14. Agency completes workplan for environmental investigation	Estimated within 120 days after approval of workplan by the applicable regulatory agency	
15. Agency prepares and submits Remedial Action Plan to applicable regulatory agency	Estimated within 120 days after completion of workplan for investigation	
16. Agency completes remediation of the Site	Within 120 days after approval of the Remedial Action Plan by the applicable regulatory agency	
17. Developer approves or disapproves	Within 30 days after receipt of	

Item To Be Performed	Time for Performance	Agreement Reference
Agency's certification of Site remediation	such certification and health risk assessment from Agency	
18. Developer submits Site Plan and other discretionary actions for the entire Site for City approval	Within 60 days after Effective Date	
19. City approves or disapproves Site Plan and other submissions	Within 60 days after submittal of completed application	
20. Developer prepares and submits to City and Agency preliminary and, thereafter, final drawings and specifications prepared in accordance with Site Plan, including architectural theme and treatment	Within 150 days after approval of Site Plan and discretionary approvals of any element thereof	
21. City and Agency approve (or disapprove) preliminary and, thereafter, final drawings and specifications, and if disapproves, Developer revises and resubmits preliminary or final drawings		
22. Escrow Agent gives notice of fees, charges, and costs to close escrow	One (1) week prior to Closing	
23. Deposits into escrow by Agency:		
a) Executed Deed	On or before 1:00 p.m. on the last business day preceding the Closing Date	
b) Estoppel Certificate	On or before 1:00 p.m. on the last business day preceding the Closing Date	
c) Payment of Agency's share of Escrow Costs	On or before 1:00 p.m. on the last business day preceding the Closing Date	
d) Taxpayer ID Certificate	Prior to Closing Date	
e) FIRPTA Certificate	Within 15 days after opening	

Item To Be Performed	Time for Performance	Agreement Reference
24. Deposits into escrow by Developer:		
a) Estoppel Certificate	On or before 1:00 p.m. on the last business date preceding the Closing Date	
b) Regulatory Agreement and Deed of Trust	On or before 1:00 p.m. on the last business date preceding the Closing Date	
c) Payment of Developer's Share of Escrow Costs	On or before 1:00 p.m. on the last business date preceding the Closing Date	
d) Certificates evidencing insurance	Prior to closing, site preparation or construction	
e) Taxpayer ID Certificate	Prior to Closing Date	
25. Agency or Developer, as case may be, may cure any condition to closing disapproved or waived; or may cure any default	Within 30 days after date established therefor, or date of breach, as the case may be	
26. Close of Escrow for the Site; recordation and delivery of documents	Within 60 days of receipt of a reservation of LIHTC from TCAC	
27. Developer commences construction of improvements on the Site	Within 90 days after Close of Escrow	
28. Developer completes construction of improvements on the Site	Within twenty-four (24) months from the date the Project receives a TCAC allocation	
29. Agency issues Release of Construction Covenants for the Site	Within 30 days of written request by Developer, and Developer's satisfactory completion of all improvements on the Site	
30. Developer shall use its best efforts to achieve at least a ninety percent (90%) lease-up rate of the Project	Not later than nine (9) months after completion of construction on the Site	

ATTACHMENT NO. 4

PERRIS STATION DDA

SCOPE OF DEVELOPMENT

A. PROJECT CONCEPT

The project will consist of 1 three-story building. There will be a recreation area within the 9,200 SF retail center on the first floor. The recreation area will contain the managers' office and recreation amenities. Two stories of residential will be above the first floor retail and recreation area. Construction will be Type V, wood-frame construction over a podium deck. The balconies and patios will be framed with metal railing and the community will encompass decorative banding, brick, awnings, and a multi colored paint scheme.

The unit mix will be as follows:

Number of units	Bedrooms / Bathrooms	Unit size
70	1Bd/ 1Ba	542 ft ²
14	2Bd/ 1Ba	777 ft ²

Total: 84 Units

Parking for residents and guests will be consistent with City requirements. The total number of parking spaces is estimated to be 72 within the podium deck.

The Recreation Center will be the center of services for the residents of Perris Station Apartments. The Center is designed to support seniors by offering educational and social programs to enhance the living environment and foster a sense of community. Adjacent to the lobby will be a recreation center, computer center and multi-purpose social room. The recreation room will feature comfortable lounge seating, and will be equipped with a television and DVD player. The computer center will offer the residents full time computer use and internet access, and will offer a room to conduct computer-training classes. This community will offer the opportunity to residents for health and wellness classes, cooking classes, and arts and crafts. The Manager's office will offer a place for consultation, counseling, and interviews. The community areas will be professionally planned and decorated. Landscaping will be aesthetically pleasing, appropriate for the surrounding neighborhood, and will be consistent with City requirements.

The building construction will utilize materials that will meet or exceed Title 24 energy standards. Energy-efficiency will be a priority and will be incorporated into the design and materials of the project.

When completed, it is estimated that the property will employ 1 full-time onsite manager, a part-time assistant manager, and one full-time maintenance person.

B. PROJECT DESIGN

1. Design Process

The Developer and its representatives, including its architect and engineer, shall work with City and Agency staff to develop and execute the architectural concept, architectural drawings, site plan, grading plan, off-site improvement plans, landscaping plan and related drawings and documents consistent with Planning Commission and Agency direction pursuant to the Perris Municipal Code.

2. Architectural Concept

The improvements to be constructed on the Site shall be of high architectural quality, shall be well landscaped, and shall be effectively and aesthetically designed. The shape, scale of volume, exterior design, and exterior finish of each structure and all other improvements must be consistent with, visually related to, physically related to, and an enhancement to each other and, to the extent reasonably practicable, to adjacent improvements existing or planned within the Project Area. The Developer's plans, drawings, and proposals submitted to the Agency for approval shall describe in reasonable detail the architectural character intended for the Project. The open spaces on the Site, where they exist, shall be designed, landscaped and developed with the same degree of excellence.

3. Site Work

The Project shall substantially conform to the site and building plans and landscaping plans approved pursuant to subsection A above and with the Site Map attached to the Agreement as Attachment No. 1. It shall be the responsibility of the Developer, the architect and the contractor to develop the Project consistent with the aforementioned plans. Any substantial modification to the approved site or building plans, as determined by the Director of Community Development, shall be referred to the Planning Commission for review and approval through a conformity report. The Developer shall be responsible for the construction and installation of all improvements to be constructed or installed on the Site, including but not limited to the following:

a. Residential Units

Developer shall construct a building not to exceed three stories, containing a maximum of eighty-four (84) Residential Units on the second and third floors.

b. Parking and Commercial Spaces

Developer shall develop the first floor of the Project with 72 parking spaces and 9,200 square feet of commercial space. The design, construction, and number of parking spaces shall be in accordance with Chapter 19.69 of the Perris Municipal Code. Construction of the parking areas shall include installation of necessary drainage systems, paving, required landscaping and irrigation, striping and labeling, all in accordance with the Perris Municipal Code and approved plans.

The commercial space shall be designed and constructed in accordance with the Perris Municipal Code.

c. Landscaping

Developer shall install and maintain on-site landscaping and automatic irrigation pursuant to approved plans consistent with Chapter _____ of the Perris Municipal Code.

d. Lighting

Developer shall install and maintain on-site lighting in a manner consistent with the approved lighting and electrical plans. The design of light standards and fixtures shall be subject to the approval of the Director of Community Development.

e. Trash Storage

Trash storage areas shall be provided of sufficient size to ensure containment of all solid waste materials generated from the Site in trash disposal and recycling bins. Adequate access shall be provided to the enclosures for refuse pickup.

f. Signs

A sign program shall be submitted to the City for approval. Building and, where necessary, electrical permits shall be obtained prior to installation, painting or erection of signs. Signs shall be designed, installed, and maintained in a manner consistent with the approved Site Plan and sign program.

4. Undergrounding Utilities

All new utility service connections servicing the Site shall be installed underground, including connections to facilities within the public right-of-way.

5. Mechanical Equipment

On-site mechanical equipment, whether roof or ground mounted, shall be completely screened from public view. Screening material shall be constructed of materials which coordinate with the overall architectural theme. Where public visibility will be minimal, the Director of Community Development may permit use of landscaping to screen ground mounted equipment.

6. Applicable Codes

All improvements shall be constructed in accordance with the California Building Code (with Perris modifications), the County of Riverside Fire Code (with Perris modifications), the Perris Municipal Code, and all other current City standards.

7.

Offsite Improvements

Pursuant to the Agreement, Agency and Developer shall perform, or cause to be performed, all offsite improvements required by law or as a condition to any governmental or local approval or permit.

EXHIBIT "A"
PROJECT BUDGET

[To Be Attached]

ATTACHMENT NO. 5

PERRIS STATION DDA

FREE RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Perris Housing Investors, L.P.
320 Golden Shore, Suite 200
Long Beach, CA 90802
Attention: Project Management

(Space Above This Line for Recorder's Office Use Only)

RELEASE OF CONSTRUCTION COVENANTS

WHEREAS, by a Disposition and Development Agreement ("Agreement") dated _____, 2008 between and among the PERRIS REDEVELOPMENT AGENCY ("Agency") and PERRIS HOUSING INVESTORS, L.P., a California limited partnership ("Developer"), Developer has agreed to develop a mixed-use development ("Project") on the Site (as such term is defined in the Agreement); and

WHEREAS, as referenced in the Agreement, Agency shall furnish Developer with a Release of Construction Covenants upon completion of construction and development, which release shall be in such form as to permit it to be recorded in the Riverside Official Records of the County Clerk of the County of Riverside, California; and

WHEREAS, Developer has requested that Agency furnish Developer with the Release of Construction Covenants for the Site more particularly described on Exhibit "A" attached hereto and incorporated herein by reference (the "Site"); and

WHEREAS, the Agreement provided for certain covenants to run with the land, which covenants were incorporated in the Regulatory Agreement, as those terms are defined in the Agreement; and

WHEREAS, such Release of Construction Covenants shall constitute a conclusive determination by Agency of the satisfactory completion by Developer of the construction and development required by the Agreement and of Developer's full compliance with the terms of the Agreement with respect to such construction and development, but not of the Regulatory Agreement, the provisions of which shall continue to run with the land pursuant to their terms; and

WHEREAS, Agency has conclusively determined that the construction and development on the Site required by the Agreement has been satisfactorily completed by Developer in full compliance with the terms of the Agreement.

NOW, THEREFORE,

1. The improvements required to be constructed have been satisfactorily completed in accordance with the provisions of said Agreement.

2. This Release shall constitute a conclusive determination of satisfaction of the agreements and covenants contained in the Agreement with respect to the obligations of the Developer, and its successors and assigns, to construct the improvements and the dates for the beginning and completion thereof.

3. This Release shall not constitute evidence of Developer's compliance with the Regulatory Agreement, the provisions of which shall continue to run with the land.

4. This Release shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of a mortgage or any insurer of a mortgage, securing money loaned to finance the improvements or any part thereof.

5. This Release is not a Notice of Completion as referred to in California Civil Code Section 3093.

6. Except as stated herein, nothing contained in this instrument shall modify in any way any other provisions of the Agreement or any other provisions of the documents incorporated therein.

IN WITNESS WHEREOF, the Agency has executed this Release of Construction Covenants this _____ day of _____, _____.

PERRIS REDEVELOPMENT AGENCY, a
public body, corporate and politic

By _____
Executive Director

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)

EXHIBIT "A"

DESCRIPTION OF SITE

That certain real property located in the City of Perris, County of Riverside, State of California, more particularly described as:

[To Be Inserted]

ATTACHMENT NO. 6

PERRIS STATION DDA

FREE RECORDING REQUESTED BY AND
AFTER RECORDATION RETURN TO:

Perris Housing Investors, L.P.
320 Golden Shore, Suite 200
Long Beach, CA 90802
Attention: Legal Department

(Space Above This Line For Recorder's Office Use Only)

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged,

THE PERRIS REDEVELOPMENT AGENCY, a public body, corporate and politic, of the State of California ("Grantor"), acting to carry out its functions under the Housing Law of the State of California, hereby grants to PERRIS HOUSING INVESTORS, L.P., a California limited partnership ("Grantee"), the real property ("Site") legally described in Exhibit "A" attached hereto and incorporated herein by this reference.

As conditions of this conveyance, the Grantee covenants by and for itself and any successors in interest for the benefit of the Grantee and the City of Perris ("City"), as follows:

1. **Governing Documents.** The Site is conveyed pursuant to a Disposition and Development Agreement ("DDA") entered into between and among Grantor and Grantee dated _____, 2008. Grantee covenants and agrees for itself and its successors and assigns to use, operate and maintain the Site in accordance with the DDA and this Deed. In the event of any conflict between this Grant Deed and the DDA, the provisions of the DDA shall control.

2. **Regulatory Agreement.** Grantee covenants and agrees for itself and its successors and assigns to its interest in the Site that it shall abide by all of the terms listed in the Regulatory Agreement attached to the DDA as Attachment No. 7.

3. **Use of Site.** The Grantee covenants that Grantee may only use the second and third stories of the building to be constructed on the Site for residential purposes as consistent with the time period and other terms, covenants and conditions set forth in the DDA and the Regulatory Agreement, by which Grantee has agreed to be bound. Grantee shall have no right to subdivide, separate, or partition the Site except as necessary to separate ownership of the residential component of the Project from the commercial space and as provided in the DDA.

Breach of the terms, covenants, conditions, and provisions of the DDA or Regulatory Agreement shall be a material breach of this conveyance.

4. **Encumbrances Prohibited.** Prior to issuance of the Release of Construction Covenants by the Grantor as provided in the DDA, the Grantee shall not place or suffer to be placed on the Site any lien or encumbrance other than mortgages, deeds of trust, sales and leases back or any other form of conveyance required for financing the construction of improvements on the Site and any other expenditures necessary and appropriate to develop the Site, except as specifically provided in the DDA and attachments thereto.

5. **Non-Discrimination.** The Grantee covenants that except for the tenancy/occupancy restrictions not prohibited by federal law as embodied in the DDA, there shall be no discrimination against, or segregation of, any persons, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the rental, sale, lease, sublease, transfer, use, occupancy, or enjoyment of the Site, or any portion thereof, nor shall Grantee, or any person claiming under or through Grantee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants contained herein shall remain in effect in perpetuity.

6. **Form of Nondiscrimination Clauses in Agreements.** Subject to the tenancy/occupancy restrictions not prohibited by federal law as embodied in the DDA, which may modify the following nondiscrimination clauses, the following shall apply: Grantee shall refrain from restricting the rental, sale, or lease of any portion of the Site on the basis of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. **Deeds:** In deeds the following language shall appear: "The grantee herein covenants by and for itself, its heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the sale, lease, rental, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee itself, or any persons claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the land herein conveyed. The foregoing covenants shall run with the land."

b. **Leases:** In leases the following language shall appear: "The lessee herein covenants by and for itself, its heirs, executors, administrators, successors, and assigns, and all persons claiming under or through them, and this lease is made and accepted upon and subject to the following conditions:

"That there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the leasing, subleasing, renting, transferring, use, occupancy, tenure, or enjoyment of the land herein leased nor shall the lessee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, sublessees, subtenants, or vendees in the land herein leased."

c. **Contracts:** In contracts the following language shall appear: "There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, age, physical or mental disability, ancestry, or national origin in the sale, lease, rental, sublease, transfer, use, occupancy, tenure, or enjoyment of the land, nor shall the transferee itself, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the land."

The foregoing covenants shall remain in effect in perpetuity.

7. Mortgage Protection. No violation or breach of the covenants, conditions, restrictions, provisions or limitations contained in this Grant Deed shall defeat or render invalid or in any way impair the lien or charge of any mortgage, deed of trust or other financing or security instrument permitted by the DDA; provided, however, that any successor of Grantee to the Site shall be bound by such remaining covenants, conditions, restrictions, limitations and provisions, whether such successor's title was acquired by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

8. Covenants to Run With the Land. The covenants contained in this Grant Deed shall be construed as covenants running with the land and not as conditions which might result in forfeiture of title, and shall be binding upon Grantee, its heirs, successors and assigns to the Site, whether their interest shall be fee, easement, leasehold, beneficial or otherwise.

9. Counterparts. This Grant Deed may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Grantor and Grantee have caused this instrument to be executed on their behalf by their respective officers thereunto duly authorized, this ____ day of _____, _____.

"GRANTOR"

PERRIS REDEVELOPMENT AGENCY,
a public body, corporate and politic

Date _____

Chair Daryl R. Busch, Mayor

ATTEST:

Agency Secretary - Judy L. Haughney

APPROVED AS TO FORM:

ALESHIRE & WYNDER, LLP

Eric L. Dunn, Agency Counsel

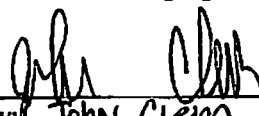
By its acceptance of this Grant Deed, Grantee hereby agrees as follows:

1. Grantee expressly understands and agrees that the terms of the Grant Deed shall be deemed to be covenants running with the land and shall apply to all of the Grantee's successors and assigns.
2. The provisions of this Grant Deed are hereby approved and accepted.

"GRANTEE"

PERRIS HOUSING INVESTORS, L.P.
a California limited partnership

By: TELACU Homes, Inc.,
a California nonprofit public benefit
corporation,
its Managing General Partner


By: John Clem
Its: President, TELACU Homes, Inc.,
GENERAL PARTNER

Date

EXHIBIT "A"
LEGAL DESCRIPTION OF SITE
[To Be Inserted]

ATTACHMENT NO. 7

PERRIS STATION DDA

FREE RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

PERRIS REDEVELOPMENT AGENCY
101 North "D" Street
Perris, CA 92570
Attn: Executive Director

(Space Above This Line for Recorder's Office Use Only)

REGULATORY AGREEMENT AND
DECLARATION OF COVENANTS AND RESTRICTIONS

THIS REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is made and entered into this ____ day of _____, _____, by and between the PERRIS REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency"), the CITY OF PERRIS, a municipal corporation ("City"), and PERRIS HOUSING INVESTORS, L.P., a California limited partnership ("Owner").

RECITALS:

A. Pursuant to a Disposition and Development Agreement between and among Agency and Owner dated _____, 2008 ("DDA"), Agency has provided to Owner real property and financial assistance in the amount of SIX MILLION DOLLARS (\$6,000,000.00) (collectively the "Agency Assistance"), all for the purpose of assisting Owner in the acquisition of real property and the development of a mixed use project as further described herein on that certain real property located in the City of Perris, County of Riverside, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by reference ("Site").

B. Pursuant to the DDA, Owner has agreed to develop, construct, and maintain a mixed use project consisting of a maximum of eighty-four (84) residential units ("Residential Units"), including one (1) resident manager's unit, as well as 9,200 square feet of commercial space and 72 parking spaces (hereinafter referred to collectively as the "Project") on the Site. All of the Residential Units shall be Senior Citizen Restricted Residential Units for extremely low, very low and low income households.

C. The Agency and the City have fee or easement interests in various streets, sidewalks and other property within the City and are responsible for the planning and development of land within the City in such a manner so as to provide for the health, safety and welfare of the residents of the City.

D. Agency, City and Owner now desire to place restrictions upon the use and operation of the Project to ensure that the Residential Units within the Project are leased continuously during the term of this Agreement.

E. It is the intent of the parties that the title vested in Owner by the Grant Deed for the Site dated _____, 2008 ("Grant Deed"), recorded concurrently herewith in Office of the County Recorder for the County of Riverside be subject to this Regulatory Agreement, and that the terms hereof shall be binding on the Owner and its successors in interest in the Site for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT:

NOW, THEREFORE, the Owner, City and Agency declare, covenant and agree, by and for themselves, their heirs, executors, administrators and assigns, and all persons claiming under or through them, that the Site shall be held, transferred, encumbered, used, sold, conveyed, leased and occupied, subject to the covenants and restrictions hereinafter set forth, all of which are declared to be in furtherance of a common plan for the improvement and sale of the Site, and are established expressly and exclusively for the use and benefit of the Agency, the residents of the City, and every person renting a Residential Unit on the Site.

A. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given unless expressly provided to the contrary:

1. **Affordable Extremely Low Income Rent.** The term "Affordable Extremely Low Income Rent" shall mean annual rentals whose amount does not exceed the maximum percentage of income that can be devoted to rent as set forth by Health & Safety Code Section 50053, or its successor, which is currently thirty percent (30%) times thirty percent (30%) of the Riverside County Median Income adjusted for the family size appropriate for the Residential Unit.

2. **Affordable Low Income Rent.** The term "Affordable Low Income Rent" shall mean annual rentals whose amount does not exceed the maximum percentage of income that can be devoted to rent as set forth by Health & Safety Code Section 50053, or its successor, which is currently thirty percent (30%) of eighty percent (80%) of the Riverside County Median Income adjusted for the family size appropriate for the Residential Unit.

3. **Affordable Rent.** The term "Affordable Rent" shall refer to collectively Affordable Extremely Low Income Rent, Affordable Very Low Income Rent and Affordable Low Income Rent.

4. **Affordable Very Low Income Rent.** The term "Affordable Very Low Income Rent" shall mean annual rentals whose amount does not exceed the maximum percentage of income that can be devoted to rent as set forth by Health & Safety Code Section 50053, or its successor, which is currently thirty percent (30%) of fifty percent

(50%) of the Riverside County Median Income adjusted for the family size appropriate for the Residential Unit.

5. **Commercial Unit.** The term "Commercial Unit" shall mean each of the commercial units available for lease on the first floor of the Project.

6. **Eligible Tenant.** The term "Eligible Tenant" shall refer to a Senior Citizen tenant who is a member of an Extremely Low Income, Very Low Income, or a Low Income Household.

7. **Extremely Low Income Tenant.** The term "Extremely Low Income Tenant" shall mean those tenants whose income does not exceed thirty percent (30%) times thirty percent (30%) of the area median income for Riverside County, adjusted for applicable household size.

8. **Low Income Tenant.** The term "Low Income Tenant" shall mean those tenants whose household income does not exceed eighty percent (80%) of the Riverside County Median Income.

9. **Permitted Health Care Resident.** As used in this Agreement, the term "Permitted Health Care Resident" shall have the meaning ascribed by Section 51.11(b)(7) of the California Civil Code, as may be amended. Section 51.11(b)(7) currently provides that a Permitted Health Care Resident is a person who is hired to provide live-in, long-term, or terminal health care to a qualifying resident.

10. **Project Manager.** As used in this Agreement, the term "Project Manager" shall refer to that entity, to be designated by Owner and approved by Agency, who shall be responsible for operating and maintaining the Project in accordance with the terms of this Agreement. Prior to Agency's approval, Owner shall act as Project Manager.

11. **Qualified Permanent Resident.** The term "Qualified Permanent Resident" shall have the meaning ascribed in California Civil Code Section 51.11(b)(2) or (3), as may be amended. Section 51.11(b)(2) currently provides that a Qualified Permanent Resident is a person who meets both of the following requirements:

a. Was residing with the Senior Citizen prior to the death, hospitalization, or other prolonged absence of, or the dissolution of marriage with, the Senior Citizen; and

b. Was 45 years of age or older, or was a spouse, cohabitant, or person providing primary physical or economic support to the Senior Citizen. Section 51.11(3) currently provides that a Qualified Permanent Resident also means a disabled person or person with a disabling illness or injury who is a child or grandchild of the Senior Citizen who needs to live with the Senior Citizen because of the disabling condition, illness, or injury.

12. **Resident Manager.** The term "Resident Manager" shall refer to that individual (or those individuals) who may reside in the Project and who are responsible for day-to-day management of the Project.

13. **Restricted Unit.** The term "Restricted Unit" shall refer to all of the Residential Units which shall be reserved for Eligible Tenants or the Resident Manager.

14. **Riverside County Median Income.** The term "Riverside County Median Income" shall be determined by reference to the regulations published by the California Department of Housing and Community Development pursuant to Health and Safety Code Section 50093, or its successor.

15. **Senior Citizen.** The term "Senior Citizen" shall mean a person fifty-five (55) years of age or older, as defined in California Civil Code Section 51.11(b)(1).

16. **Residential Unit.** The term "Residential Unit" shall refer to any of the up to eighty-four (84) residential units in the Project.

17. **Very Low Income Tenant.** The term "Very Low Income Tenant" shall mean those tenants whose income does not exceed fifty percent (50%) of the Riverside County Median Income.

B. RESIDENTIAL RENTAL PROPERTY. The Owner hereby agrees that the Project is to be owned, managed, and operated as a project for extremely low, very low and low income residential rental purposes for a term equal to fifty-five (55) years, commencing upon the date of the recordation of the Release of Construction Covenants for the Site in accordance with the DDA ("Term"). To that end, and for the term of this Agreement, the Owner hereby represents, covenants, warrants and agrees as follows:

1. **Purpose.** The Site is being acquired and the Project constructed for the purpose of providing extremely low, very low and low income rental housing and the Owner shall own, manage, and operate the Project as a project to provide extremely low, very low and low income rental housing, together with any functionally related and subordinate facilities, as part of a mixed use building.

2. **Residential Use.** None of the Residential Units in the Project will at any time be utilized on a transient basis or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, or trailer court or park without the Agency's prior consent which consent may be given or withheld in its sole and absolute discretion.

3. **Conversion of Project.** No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Owner take any steps in connection with the conversion to such ownership or uses to condominiums, or to any other form of ownership, without the prior written approval of Agency which approval may be given or withheld in its sole and absolute discretion.

4. **Preference to Eligible Tenants.** All of the Residential Units will be available for rental in accordance with the terms of this Agreement, and the Owner shall not give preference to any particular class or group in renting the Residential Units in the Project, except to the extent that the Residential Units are required to be leased or rented to Eligible Tenants and except as provided in Section C.6 below.

5. **Resident Manager.** Up to one Unit in the Project may be occupied by a Resident Manager.

6. **Liability of Owner.** Owner and Resident Manager shall not incur any liability under this Agreement as a result of fraud or intentional misrepresentation by a tenant.

C. OCCUPANCY OF PROJECT BY ELIGIBLE TENANTS. Owner hereby represents, warrants, and covenants as follows:

1. **Occupancy.** Except as expressly provided herein, throughout the term of this Agreement the occupancy of all of the Residential Units in the Project (excluding the Resident Manager Unit) shall be restricted to Eligible Tenants and qualified members of the Eligible Tenant's household.

2. **Occupancy by Senior Citizens.** In addition to the occupancy restrictions in Section C.1, all of the Residential Units in the Project shall be restricted to Extremely Low Income Senior Citizen Tenants, Very Low Income Senior Citizen Tenants and Low Income Senior Citizen Tenants and qualified members of their households as provided in this Section. Subject to the requirements of applicable law (including, without limitation, the Unruh Civil Rights Act, § 51 *et seq.* of the California Civil Code, and the Federal Fair Housing Act, 42 USC § 3607 *et seq.*), all of the Residential Units shall be independent living apartments specially designed for the physical and social needs of person fifty-five (55) years of age or older in accordance with the Project entitlements. In accordance with California Civil Code § 51.11(c), at least one person in residence in each dwelling unit must be a Senior Citizen, and other residents in the same dwelling unit who are not Senior Citizens must be Qualified Permanent Residents, Permitted Health Care Residents, or a person under 55 years of age whose occupancy is required to be permitted under state law. Temporary guests of a Senior Citizen or Qualified Permanent Resident shall be allowed for a period of not more than sixty (60) days in any twelve (12) month period. Upon the death, dissolution of marriage, hospitalization or other prolonged absence of the Senior Citizen in a dwelling unit, any Qualified Permanent Resident who has continuously resided in the dwelling unit with such Senior Citizen shall be permitted to continue as a resident of that dwelling unit provided such person shall meet the income restrictions applicable to an Eligible Tenant. "Permitted Health Care Residents" (as that term is defined in California Civil Code Section 51.11) shall be permitted to occupy any dwelling unit during any period that such person is actually providing live-in, long-term or hospice health care to a Senior Citizen tenant or Qualified Permanent Resident tenant for compensation. Notwithstanding the foregoing, in the event applicable laws enacted after the Effective Date prohibit the restriction of the Project to occupancy by Senior Citizens as defined herein as persons fifty-five (55) years of age or older, the Owner shall

notify the Agency and the City in writing of such prohibition and the Agency and the City shall redefine the occupancy requirements for the Project in accordance with applicable law.

3. **Expiration of Occupancy and Rent Restrictions.** The Residential Units shall be subject to the restrictions contained in this Section C for the Term of this Agreement. All tenants residing in the Residential Units during the final two (2) years of the Term shall be given notice of the expiration of the Term at least once every six (6) months during the final two years. After the expiration of the Term, the rents payable on the Residential Units may be raised to market rates.

4. **Rental Rates.** Owner hereby agrees to rent those Residential Units occupied by Extremely Low Income Tenants at no greater than Affordable Low Income Rent, to rent those Residential Units occupied by Very Low Income Tenants at no greater than Very Low Income Rent and to rent those Residential Units occupied by Extremely Low Income Tenants at no greater than Extremely Low Income Rent.

5. **Occupancy By Eligible Tenant.** A Residential Unit occupied by an Eligible Tenant shall be treated as occupied by an Eligible Tenant until a recertification of such tenant's income in accordance with Section C.9 below demonstrates that such tenant no longer qualifies as an Eligible Tenant.

6. **Income Computation Certificate.** Immediately prior to an Eligible Tenant's occupancy of a Residential Unit, Owner shall obtain and maintain on file an Income Computation and Certification form (which form shall be approved in advance by the Agency) from each such Eligible Tenant dated immediately prior to the date of initial occupancy in the Project by such Eligible Tenant. In addition, the Owner will provide such further information as may be required in the future by the Agency. Owner shall use its best efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (i) obtain three (3) pay stubs for the most recent pay periods; (ii) obtain a written verification of income and employment from applicant's current employer; (iii) obtain an income verification form from the Social Security Administration and/or California Department of Social Services if the applicant receives assistance from either agency; (iv) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other verification of such applicant's income as is satisfactory to the Agency; or (v) such other information as may be reasonably requested by the Agency. A copy of each such Income Computation and Certification shall be filed with the Agency prior to the occupancy of a Residential Unit by an Eligible Tenant whenever possible, but in no event more than thirty (30) days after initial occupancy by said tenant.

7. **Rental Priority.** During the term of this Agreement, and to the extent allowed under applicable Affordable Housing Program restrictions, Owner shall use its best efforts to lease vacant Residential Units reserved for Eligible Tenants in the following order of priority: (i) displaced persons entitled to a preference pursuant to California Health and Safety Code Section 33411.3 or successor statute, with highest priority in this category to residents of Perris; (ii) residents of the City of Perris; and (iii)

other persons meeting the eligibility requirements of this Agreement. Owner shall and Agency may maintain a list (the "Housing List") of persons who have filed a complete application with Owner to rent a Residential Unit in the Project and who have incomes which would qualify them as an Eligible Tenant, and Owner shall offer to rent Residential Units on the above-referenced priority basis. Should multiple tenants be equally eligible and qualified to rent a Residential Unit, Owner shall rent available Residential Units to Eligible Tenants on a first-come, first-served basis.

8. **Renting Vacant Units.** When a Residential Unit becomes available as a result of a tenant vacation, Owner shall rent the Residential Unit to an Eligible Tenant in accordance with the order of priority set forth in Section C.7.

9. **Income Recertification.** Immediately prior to the first anniversary date of the occupancy of a Residential Unit by an Eligible Tenant and on each anniversary date thereafter, Owner shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification based upon the current income of each occupant of the Residential Unit. In the event the recertification demonstrates that such household's income exceeds the income at which such household would qualify as an Eligible Tenant, such household will no longer qualify as an Eligible Tenant. If the occupant, upon recertification, does not qualify as an Eligible Tenant, the occupant's lease shall be terminated in accordance with Section C.10. Owner shall provide the Agency with a copy of each such recertification with the next submission of Certificate of Continuing Program Compliance pursuant to Section C.11.

10. **Intentionally Omitted.**

11. **Certificate of Continuing Program Compliance.** Upon the issuance of the Release of Construction Covenants and annually by January 31 of each year, or at any time upon the written request of Agency, Owner shall advise the Agency of the occupancy of the Project by delivering a Certificate of Continuing Program Compliance in the form attached hereto as Exhibit "B," certifying: (i) the number of Residential Units of the Project which were occupied or deemed occupied pursuant to Section C.1 by an Eligible Tenant or Qualified Permanent Resident during such period, and (ii) to the knowledge of Owner either (a) no unremedied default has occurred under this Agreement, or (b) a default has occurred, in which event the Certificate shall describe the nature of the default and set forth the measures being taken by the Owner to remedy such default. Owner agrees to pay Agency a fee pursuant to Health and Safety Code Section 33418(c) to offset Agency's cost of monitoring the affordable housing at the Site, which shall not exceed Five Hundred Dollars (\$500.00) per year.

12. **Maintenance of Records.** Owner shall maintain materially complete and accurate records pertaining to the Residential Units, and shall permit any duly authorized representative of the Agency to inspect the books and records of Owner pertaining to the Project including, but not limited to, those records pertaining to the occupancy of the Residential Units.

13. Reliance on Tenant Representations. Each lease shall contain a provision to the effect that Owner has relied on the income certification and supporting information supplied by the tenant in determining qualification for occupancy of the Residential Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

14. Conflicts. The leasing preference provision set forth in Section C.6 shall apply only in the event, and to the extent, such provisions are not in conflict with Internal Revenue Code provisions or IRS regulations.

15. Agency Remedy For Excessive Rent Charge.

a. It shall constitute a default for Owner to charge or accept for a Residential Unit rent amounts in excess of the amount provided for in Section C.4 of this Agreement. In the event that Owner charges or receives such higher rental amounts, in addition to any other remedy Agency shall have for such default, Owner shall be required to pay to Agency the entire amount of rent received in excess of the amount permitted pursuant to this Agreement.

b. It shall constitute a default for Owner to rent any Residential Unit to a tenant who is not an Eligible Tenant for the particular Residential Unit pursuant to the rental rate requirements set forth in Section C.4 of this Agreement. In the event Owner rents a Residential Unit to an ineligible tenant, in addition to any other equitable remedy Agency shall have for such default, Owner, for each separate violation shall be required to pay to Agency an amount equal to (i) two times the greater of (A) the total rent Owner received from such ineligible tenant or (B) the total rent Owner was entitled to receive for renting that Residential Unit, plus (ii) any relocation expenses incurred by Agency or City as a result of Owner having rented to such ineligible person.

c. It shall constitute a default for Owner to rent any of the Residential Units in violation of the leasing preference requirements of Sections C.7 of this Agreement. In the event Owner rents a Residential Unit in violation of the leasing preference requirements, in addition to any other equitable remedy Agency shall have for such default, Owner, for each separate violation shall be required to pay Agency an amount equal to two (2) months of rental charges for the Residential Unit with the highest rent. The terms of this Section C.15 shall not apply if Owner rents to an ineligible person as a result of such person's fraud or misrepresentation.

THE PARTIES HERETO AGREE THAT THE AMOUNTS SET FORTH IN SUBPARAGRAPHS (a) THROUGH (c) OF THIS SECTION C.15 (THE "DAMAGE AMOUNTS") CONSTITUTE A REASONABLE APPROXIMATION OF THE ACTUAL DAMAGES THAT AGENCY WOULD SUFFER DUE TO THE DEFAULTS BY OWNER SET FORTH IN SUBPARAGRAPHS (a) THROUGH (c), CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING ON THE EFFECTIVE DATE OF THIS AGREEMENT, INCLUDING THE RELATIONSHIP OF THE DAMAGE AMOUNTS TO THE RANGE OF HARM TO AGENCY AND ACCOMPLISHMENT OF AGENCY'S PURPOSE OF ASSISTING IN THE PROVISION OF AFFORDABLE HOUSING TO ELIGIBLE TENANTS

THAT REASONABLY COULD BE ANTICIPATED AND THE ANTICIPATION THAT PROOF OF ACTUAL DAMAGES WOULD BE COSTLY OR INCONVENIENT. THE AMOUNTS SET FORTH IN THIS SECTION C.15 SHALL BE THE SOLE MONETARY DAMAGES REMEDY FOR THE DEFAULTS SET FORTH IN THIS SECTION C.15, BUT NOTHING IN THIS SECTION C.15 SHALL BE INTERPRETED TO LIMIT AGENCY'S REMEDY FOR SUCH DEFAULT TO SUCH A DAMAGES REMEDY. IN PLACING ITS INITIAL AT THE PLACES PROVIDED HEREINBELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY HAS BEEN REPRESENTED BY COUNSEL WHO HAS EXPLAINED

THE CONSEQUENCES OF THE LIQUIDATED DAMAGES PROVISION AT OR PRIOR TO THE TIME EACH EXECUTED THIS AGREEMENT.

OWNER'S INITIALS: JP

AGENCY'S INITIALS: _____

D. MAINTENANCE.

1. **Maintenance Obligation.** Owner, for itself and its successors and assigns, hereby covenants and agrees to maintain and repair or cause to be maintained and repaired the Site and all related on-site improvements and landscaping thereon, including, without limitation, buildings, parking areas, lighting, signs and walls in a first class condition and repair, free of rubbish, debris and other hazards to persons using the same, and in accordance with all applicable laws, rules, ordinances and regulations of all federal, state, and local bodies and agencies having jurisdiction, at Owner's sole cost and expense. Such maintenance and repair shall include, but not be limited to, the following: (i) sweeping and trash removal; (ii) the care and replacement of all shrubbery, plantings, and other landscaping in a healthy condition; and (iii) the repair, replacement and restriping of asphalt or concrete paving using the same type of material originally installed, to the end that such pavings at all times be kept in a level and smooth condition. In addition, Owner shall be required to maintain the Site in such a manner as to avoid the reasonable determination of a duly authorized official of the City that a public nuisance has been created by the absence of adequate maintenance such as to be detrimental to the public health, safety or general welfare or that such a condition of deterioration or disrepair causes appreciable harm or is materially detrimental to property or improvements within one thousand (1,000) feet of such portion of the Site.

2. **Parking and Driveways.** The driveways and traffic aisles on the Site shall be kept clear and unobstructed at all times. No vehicles or other obstruction shall project into any of such driveways or traffic aisles. Vehicles associated with the operation of the Site, including delivery vehicles, vehicles of employees and vehicles of persons with business on the Site shall park solely on the Site.

3. **Tenant Compliance.** Owner shall provide any proposed tenants of any portion of the Site with a copy of this Agreement and shall, prior to entering into any lease agreement, have the proposed tenant execute an affidavit agreeing to comply with the provisions of this Agreement. All lease agreements shall be in writing and shall

contain provisions which make compliance with the conditions of this Agreement express covenants of the lease.

4. **Right of Entry.** In the event Owner fails to maintain the Site in the above-mentioned condition, and satisfactory progress is not made in correcting the condition within thirty (30) days from the date of written notice from Agency, or if Owner and Agency agree such condition cannot reasonably be cured within such 30-day period, Owner shall have such time as Owner and Agency mutually agree may be reasonably necessary to correct the condition provided that Owner is diligent in pursuit of the cure, City or Agency may, at their option, and without further notice to Owner, declare the unperformed maintenance to constitute a public nuisance. Thereafter, either Agency or City, their employees, contractors or agents, may cure Owner's default by entering upon the Site and performing the necessary landscaping and/or maintenance. The Agency or City shall give Owner, its representative or the residential manager reasonable notice of the time and manner of entry, and entry shall only be at such times and in such manner as is reasonably necessary to carry out this Regulatory Agreement. Owner shall pay such costs as are reasonably incurred by Agency or City for such maintenance, including attorneys' fees and costs. Agency shall conduct itself on the Site in such a manner so as not to interfere with, delay, or impede the operation of the Project and Agency shall indemnify and hold Owner free and harmless from any and all damages it sustains during its presence at the Site except if such damages are caused by the Owner's negligence or willful misconduct.

5. **Lien.** If such costs are not reimbursed within thirty (30) days after Owners' receipt of notice thereof, the same shall be deemed delinquent, and the amount thereof shall bear interest thereafter at a rate of the lower of ten percent (10%) per annum or the legal maximum until paid. Any and all delinquent amounts, together with said interest, costs and reasonable attorneys' fees, shall be a personal obligation of Owner as well as a lien and charge, with power of sale, upon the property interests of Owner, and the rents, issues and profits of such property. City and/or Agency may bring an action at law against Owner obligated to pay any such sums or foreclose the lien against Owner's property interests. Any such lien may be enforced by sale by the City or Agency following recordation of a Notice of Default of Sale given in the manner and time required by law as in the case of a deed of trust; such sale to be conducted in accordance with the provisions of Section 2924, *et seq.*, of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law.

Any monetary lien provided for herein shall be subordinate to any bona fide mortgage or deed of trust covering an ownership interest or leasehold or subleasehold estate in and to any Site approved by Agency pursuant to the DDA, and any purchaser at any foreclosure or trustee's sale (as well as any deed or assignment in lieu of foreclosure or trustee's sale) under any such mortgage or deed of trust shall take title free from any such monetary lien, but otherwise subject to the provisions hereof; provided that, after the foreclosure of any such mortgage and/or deed of trust, all other assessments provided for herein to the extent they relate to the expenses incurred subsequent to such foreclosure, assessed hereunder to the purchaser at the foreclosure sale, as

owner of the subject Site after the date of such foreclosure sale, shall become a lien upon such Site upon recordation of a Notice of Assessment or Notice of Claim of Lien as herein provided.

E. MANAGEMENT.

1. **Approval of Project Manager; Designation of Resident Manager.** Subject to the terms and conditions contained hereinbelow, Owner shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("Project Manager") with respect to the operation of the Project including day-to-day administration, maintenance and repair. Owner shall, before execution or any subsequent amendment or replacement thereof, submit and obtain Agency's written approval, which shall not be unreasonably withheld, conditioned or delayed, of a management contract ("Management Contract") entered into between Owner and a Project Manager reasonably acceptable to Agency. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of Agency. The Management Contract shall also provide that the Project Manager shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Owner and Agency. Owner shall promptly terminate any Project Manager which commits or allows such failure, unless the failure is cured within a reasonable period, in no event exceeding 60 days, from Project Manager's receipt of notice of the failure from Owner or Agency. Owner's obligation to retain a Project Manager shall remain in force and effect for the same duration as the use covenants set forth in Section B of this Agreement. Notwithstanding anything to the contrary in this Section, the Project may be self-managed by Owner with the prior approval of the Agency's Executive Director.

In addition to the Project Manager, one Resident Manager shall be designated as necessary by Owner or Project Manager, with written notice to Agency of the Resident Manager's name, address and telephone number.

2. **Serious Mismanagement.** In the event of "Serious Mismanagement" (as that term is defined below) of the Project, Agency shall have the authority to require that such Serious Mismanagement cease immediately and, further, to require the immediate replacement of the Project Manager or Resident Managers. For purposes of this Agreement the term "Serious Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intent of this Agreement and/or the Management Contract to operate an affordable senior housing and commercial building of the highest standard, and shall include, but is not limited to, the following:

- a. Knowingly leasing a Residential Unit to ineligible tenants or tenants whose income exceeds the prescribed levels;
- b. Knowingly allowing the tenants of a Residential Unit to exceed the prescribed occupancy levels without taking immediate steps to stop such overcrowding;

c. Failing to timely maintain the Project and the Site in the manner required by this Agreement (including applicable cure periods);

d. Failing to timely submit the reports required by this Agreement or failing to submit materially complete reports (including applicable cure periods);

e. Fraud in connection with any document or representation relating to this Agreement or embezzlement of Project monies; and

f. Failing to fully cooperate with the City's Police Department in maintaining a crime-free environment on the Site.

F. COMPLIANCE WITH LAWS.

1. **State and Local Laws.** Owner shall comply with all ordinances, regulations and standards of the City and Agency applicable to the Site. Owner shall comply with all rules and regulations of any assessment district of the City with jurisdiction over the Site.

2. **Lease Approval.** Agency shall have the right, but is not required to, approve any lease forms, revisions, amendments or modification made to same, used by the Project Manager or Resident Managers for leasing Residential Units within the Site.

G. INSURANCE.

1. **Duty to Procure Insurance.** Owner covenants and agrees for itself, and its assigns and successors-in-interest in the Site that from completion of the Project as evidenced by City's issuance of a certificate of occupancy, and continuing thereafter until the expiration of the Term of this Agreement, Owner or such successors and assigns shall procure and keep in full force and effect, or cause to be procured and kept in full force and effect for the mutual benefit of Owner and Agency, and shall provide Agency with evidence reasonably acceptable to Executive Director, insurance policies meeting the minimum requirements set forth below:

a. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Owner, in an amount not less than Two Million Dollars (\$2,000,000) per occurrence combined single limit including products, completed operations, incidental, contractual, bodily injury, personal injury, death and property damage liability per occurrence, subject to such increases in amount as Agency may reasonably require from time to time. The insurance to be provided by Owner may provide for a deductible or self-insured retention of not more than Twenty-Five Thousand Dollars (\$25,000), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above.

b. With respect to the improvements and any fixtures and furnishings to be owned by Owner on the Site, All Risk Property insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in

Riverside County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquake to the extent generally and commercially available at commercially reasonable rates, as determined by Owner. Agency shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

c. All policies of insurance required to be carried by Owner shall be written by responsible and solvent insurance companies licensed or authorized to do business in the State of California and having a policy-holder's rating of A or better, in the most recent addition of "Best's Key Rating Guide -- Property and Casualty." A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to Agency prior to its issuance of the Release of Construction Covenants for the Project and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. Agency may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Owner hereunder. In no event shall the limits of any policy be considered as limiting the liability of Owner hereunder.

d. Each insurance policy required to be carried by Owner pursuant to this Agreement shall contain the following endorsements, provisions or clauses:

(1) The insurer will not cancel or materially alter the coverage provided by such policy in a manner adverse to the interest of the insured without first giving Agency a minimum of ten (10) days prior written notice.

(2) A waiver by the insurer of any right to subrogation against Agency, its agents, employees, or representatives, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of Agency, its agents, officers, members, officials, employees, or representatives.

(3) The City, Agency, their respective agents, officers, members, officials, employees, volunteers, and representatives shall be named insureds on the Commercial General Liability policies.

(4) The City and Agency shall be loss payees on the All Risk Property insurance policies.

(5) Coverage provided by these policies shall be primary and non-contributory to any insurance carried by the City, Agency, their officers, officials, employees, volunteers, agents, or representatives.

(6) Failure to comply with reporting provisions shall not affect coverage provided to City, Agency, their officers, employees, volunteers, agents, or representatives.

e. Agency's Executive Director may require an increase in the minimum limits of the insurance policies required by this Section as such increases are reasonably determined necessary to provide for changes in cost of living, liability exposure, the market for insurance, or the use of the Site. Such increases in insurance coverage shall be effective upon receipt of written notice from the Executive Director, provided that Owner shall have the right to appeal a determination of increased coverage by the Executive Director to the Agency Board of Directors within 30 days of receipt of notice from the Executive Director.

f. Agency's Executive Director may waive or modify the insurance requirements set forth herein if such insurance is determined by the Executive Director not to be commercially available. Owner shall submit such evidence of commercial availability as is reasonably required by the Executive Director. At least annually, Owner shall review the availability of any insurance requirement waived or modified pursuant to this section, and shall meet any such insurance requirement as such insurance becomes commercially available.

2. **Failure to Procure Insurance.** If Owner fails to procure and maintain the above-required insurance despite its commercial availability, then Agency, in addition to any other remedy which Agency may have hereunder for Owner's failure to procure, maintain, and/or pay for the insurance required herein, may (but without any obligation to do so) at any time or from time to time, after thirty (30) days written notice to Owner, procure such insurance and pay the premiums therefor, in which event Owner shall immediately repay Agency all sums so paid by Agency together with interest thereon at the maximum legal rate.

H. OBLIGATION TO REPAIR.

1. **Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance.** Subject to Section H.3 below, if the Project shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Owner, Owner shall promptly proceed to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project to substantially the same condition as the Project is required to be maintained in pursuant to this Agreement, whether or not the insurance proceeds are sufficient to cover the actual cost of repair, replacement, or restoration, and Owner shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. Subject to extensions of time for "force majeure" events described in the DDA, in no event shall the repair, replacement, or restoration period exceed sixteen (16) months from the date Owner obtains insurance proceeds unless Agency's Executive Director, in his or her sole and absolute discretion, approves a longer period of time. Agency shall cooperate with Owner, at no expense to Agency, in obtaining any governmental permits required for the repair, replacement, or restoration. If, however, the then-existing laws of any other governmental agencies with jurisdiction over the Property do not permit the repair, replacement, or restoration, Owner may elect not to repair, replace, or restore the Project

by giving notice to Agency (in which event Owner shall be entitled to all insurance proceeds but Owner shall be required to remove all debris from the Site) or Owner may reconstruct such other improvements on the Site as are consistent with applicable land use regulations and approved by the City, Agency, and the other governmental agency or agencies with jurisdiction.

If Owner fails to obtain insurance as required by the DDA or this Agreement (and Agency has not procured such insurance and charged Owner for the cost), Owner shall be obligated to reconstruct and repair any partial or total damage to the Project and improvements located on the site in accordance with this Section H.1.

2. **Continued Operations.** During any period of repair, Owner shall continue, or cause the continuation of, the operation of the Project to the extent reasonably practicable from the standpoint of prudent business management.

3. **Damage or Destruction Due to Cause Not Required to be Covered by Insurance.** If the improvements comprising the Project are completely destroyed or substantially damaged by a casualty for which Owner is not required to (and has not) insured against, Owner shall not be required to repair, replace, or restore such improvements and may elect not to do so by providing Agency with written notice of election not to repair, replace, or restore within one hundred eighty (180) days after such substantial damage or destruction. In such event, Owner shall remove all debris from the Property. As used in this Section H.3, "substantial damage" caused by a casualty not required to be (and not) covered by insurance shall mean damage or destruction which is fifty percent (50%) or more of the replacement cost of the improvements comprising the Project. In the event Owner does not timely elect not to repair, replace, or restore the improvements as set forth in the first sentence of this Section H.3, Owner shall be conclusively deemed to have waived its right not to repair, replace, or restore the improvements and thereafter Owner shall promptly commence and complete the repair, replacement, or restoration of the damaged or destroyed improvements in accordance with Section H.1 above and continue operation of the apartment complex during the period of repair (if practicable) in accordance with Section H.2 above.

L. LIMITATION ON TRANSFERS.

The Owner covenants that Owner shall not transfer the Site or any of its interests therein except as provided in this Section.

1. **Transfer Defined.** As used in this Section, the term "Transfer" shall include any assignment, hypothecation, mortgage, pledge, conveyance, or encumbrance of this Agreement, the Site, or the improvements thereon. A Transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) (in the aggregate) of the present ownership and/or control of any person or entity constituting Owner or its general partners, taking all transfers into account on a cumulative basis, except transfers of such ownership or control of interest between members of the same immediate family, or transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the transferor's immediate family, or

among the entities constituting Owner or its general partners or their respective shareholders. In the event any entity constituting Owner, its successor or the constituent partners of Owner or any successor of Owner, is a corporation or trust, such transfer shall refer to the transfer of the issued and outstanding capital stock of such corporation, of beneficial interests of such trust. In the event that any entity constituting Owner, its successor or the constituent partners of Owner or any successor of Owner is a limited or general partnership, such transfer shall refer to the transfer of more than twenty-five percent (25%) of such limited or general partnership interest. In the event that any entity constituting Owner, its successor or the constituent partners of Owner or any successor of Owner is a joint venture, such transfer shall refer to the transfer of more than twenty-five percent (25%) of the ownership and/or control of any such joint venture partner, taking all transfers into account on a cumulative basis.

2. **Agency Approval of Transfer Required.** Owner shall not Transfer the Site or any of Owner's rights hereunder, or any interest in the Site or in the improvements thereon, directly or indirectly, voluntarily or by operation of law, except as provided below, without the prior written approval of Agency, which shall not be unreasonably withheld, conditioned or delayed, and if so purported to be Transferred, the same shall be null and void. In considering whether it will grant approval of any Transfer by Owner of its interest in the Site, Agency shall consider factors such as (i) whether the completion of the Project is jeopardized; (ii) the financial credit, strength, and capability of the proposed transferee to perform Agency's obligations hereunder; and (iii) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects.

In the absence of specific written agreement by Agency, no transfer by Owner of all or any portion of its interest in the Site (including without limitation a transfer not requiring Agency approval hereunder) shall be deemed to relieve it or any successor party from the obligation to complete the Project or any other obligations under this Regulatory Agreement. In addition, no attempted transfer of any of Owner's obligations hereunder shall be effective unless and until the successor party executes and delivers to Agency an assumption agreement in a form approved by the Agency assuming such obligations.

3. **Exceptions.** The foregoing prohibition shall not apply to any of the following:

(a) Any mortgage, deed of trust, sale/lease-back, or other form of conveyance for financing, but Owner shall notify Agency in advance of any such mortgage, deed of trust, or other form of conveyance for financing pertaining to the Site.

(b) Any mortgage, deed of trust, sale/lease-back, or other form of conveyance for restructuring or refinancing of any amount of indebtedness described in subsection (a) above, provided that the amount of indebtedness incurred in the restructuring or refinancing does not exceed the outstanding balance on the debt incurred to finance the acquisition of the Site and construction of improvements on the Site,

including any additional costs for completion of construction, whether direct or indirect, based upon the estimates of architects and/or contractors.

(c) After recordation of the Release of Construction Covenants, any mortgage, deed of trust, sale/lease-back, or other form of conveyance for financing provided that the principal amount of the loan does not exceed eighty-five percent (85%) of the value of the land and improvements thereon.

(d) The granting of easements to any appropriate governmental agency or utility to facilitate the development of the Site.

(e) A sale or transfer resulting from or in connection with a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.

(f) A transfer of forty-nine percent (49%) or more ownership interest to a member of the transferor's immediate family, a trust, testamentary or otherwise, in which immediate family members of the transferor are the sole beneficiaries, or a corporation or partnership in which the immediate family members or shareholders of the transferor have controlling majority interest of more than fifty percent (50%).

(g) A change in the respective percentage ownership interests exclusively of the present owners of Owner (as of the date of this Agreement), but this shall not authorize the transfer of any interest to any person or entity who is not a present owner of Owner.

(h) A sale or transfer to a Qualified Tax Credit Investor.

(i) The replacement of Owner's general partner so long as the replacement general partner is an affiliate of MacFarlane Costa Housing Partners, LLC, a California limited liability company ("MCHP").

J. ENFORCEMENT. In the event Owner defaults in the performance or observance of any covenant, agreement or obligation of Owner pursuant to this Agreement, and if such default remains uncured for a period of thirty (30) days after written notice thereof shall have been given by Agency, or, in the event said default cannot be cured within said time period, Owner has failed to commence to cure such default within said thirty (30) days and thereafter fails to diligently prosecute said cure to completion, then Agency shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take one or more of the following steps:

1. By mandamus or other suit, action or proceeding at law or in equity, require Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of this Agreement; or
2. Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of Owner hereunder; or
3. Enter the Site and cure the Event of Default as provided in Section E hereof.
4. Impose, through Agency's Executive Director, an administrative fine for each day the violation continues. The amount of the fine shall be Twenty-Five Dollars (\$25.00) per day, unless the violation is deemed a major violation, in which case the fine shall be Seventy-Five Dollars (\$75.00) per day. The amounts of the foregoing fines shall be automatically increased by Five Dollars (\$5.00) every five (5) years during the Term of this Agreement. A "major" violation shall be one which affects adjacent property or the health and safety of persons. Owner may appeal the assessment of any fine to the City Council who may reverse, modify or uphold the decision of the Executive Director. In making this decision, the City Council shall determine whether the violation exists and whether the amount of the fine is appropriate under the circumstances.

Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by another party.

K. NONDISCRIMINATION. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, or any part thereof, nor shall Owner, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site, or any part thereof (except as permitted by this Agreement).

L. COVENANTS TO RUN WITH THE LAND. Owner hereby subjects the Site to the covenants, reservations, and restrictions set forth in this Agreement. Agency and Owner hereby declare their express intent that all such covenants, reservations, and restrictions shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Site; provided, however, that on the termination of this Agreement said covenants, reservations and restrictions shall expire. All covenants without regard to technical classification or designation shall be binding for the benefit of the Agency, and such covenants shall run in favor of the Agency for the entire term of this Agreement, without regard to whether the Agency is or remains an owner of any land or interest therein to which such covenants relate. Each and every contract, deed or other instrument hereafter executed covering or conveying the Site or any portion thereof shall conclusively be held to have been executed, delivered and

accepted subject to such covenants, reservations, and restrictions, regardless of whether such covenants, reservations, and restrictions are set forth in such contract, deed or other instrument.

Agency and Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that Owner's legal interest in the Site is rendered less valuable thereby. Agency and Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Eligible Tenants, the intended beneficiaries of such covenants, reservations, and restrictions, and by furthering the public purposes for which the Agency was formed.

Owner, in exchange for the Agency entering into the DDA, hereby agrees to hold, sell, and convey the Site subject to the terms of this Agreement. Owner also grants to the Agency and the City the right and power to enforce the terms of this Agreement against the Owner and all persons having any right, title or interest in the Site or any part thereof, their heirs, successive owners and assigns.

M. INDEMNIFICATION. Owner agrees for itself and its successors and assigns to indemnify, defend, and hold harmless Agency, City, and their respective officers, members, officials, employees, agents, volunteers, and representatives from and against any loss, liability, claim, or judgment relating in any manner to the Project excepting only any such loss, liability, claim, or judgment arising out of the intentional wrongdoing or gross negligence of Agency, City, or their respective officers, officials, employees, members, agents, volunteers, or representatives. Owner, while in possession of the Site, and each successor or assign of Owner while in possession of the Site, shall remain fully obligated for the payment of property taxes and assessments in connection with the Site. The foregoing indemnification, defense, and hold harmless agreement shall only be applicable to and binding upon the party then owning the Site or applicable portion thereof. This indemnification provision is not intended to and does not limit, negate, modify, nullify, or change the nonrecourse provisions of this Agreement or any other agreement, document, instrument, certificate or covenant executed by Owner.

N. ATTORNEYS' FEES. In the event that a party to this Agreement brings an action against the other party hereto by reason of the breach of any condition, covenant, representation or warranty in this Agreement, or otherwise arising out of this Agreement, the prevailing party in such action shall be entitled to recover from the other reasonable expert witness fees, and its attorney's fees and costs. Attorneys' fees shall include attorneys' fees on any appeal, and in addition a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, including the conducting of discovery.

O. AMENDMENTS. This Agreement shall be amended only by a written instrument executed by the parties hereto, or their successors in title, and duly recorded in the real property records of the County of Riverside.

P. NOTICE. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

Agency: Perris Redevelopment Agency
101 North "D" Street
Perris, California 92570
Attn: Executive Director

Copy to: Aleshire & Wynder, LLP
18881 Von Karman, Suite 400
Irvine, CA 92612
Attn: Eric L. Dunn, Esq.

Owner: Perris Housing Investors, L.P.
5400 E. Olympic Blvd., Ste. 300
Los Angeles, CA 90022
Attn: John Clem

**Owner's
limited partner:** Multi-Housing Partners, LLC
320 Golden Shore, Suite 200
Long Beach, CA 90802
Attn: Legal Department

Copy to: MacFarlane Costa Housing Partners, LLC
320 Golden Shore, Suite 200
Long Beach, CA 90802
Attn: Legal Department

The notice shall be deemed given three (3) business days after the date of mailing, or, if personally delivered, when received.

Q. SEVERABILITY/WAIVER/INTEGRATION.

1. **Severability.** If any provision of this Agreement is determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

2. **Waiver.** A waiver by either party of the performance of any covenant or condition herein shall not invalidate this Agreement nor shall it be considered a waiver of any other covenants or conditions, nor shall the delay or forbearance by either party in exercising any remedy or right be considered a waiver of, or an estoppel against, the later exercise of such remedy or right.

3. **Integration.** This Agreement contains the entire Agreement between the parties and neither party relies on any warranty or representation not contained in this Agreement.

R. FUTURE ENFORCEMENT. The parties hereby agree that should the Agency cease to exist as an entity at any time during the term of this Agreement, the City of Perris shall have the right to enforce all of the terms and conditions herein, unless the Agency had previously specified another entity to enforce this Agreement.

S. GOVERNING LAW. This Agreement shall be governed by the laws of the State of California.

T. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall constitute one original and all of which shall be one and the same instrument.

IN WITNESS WHEREOF, the Agency, City and Owner have executed this Regulatory Agreement and Declaration of Covenants and Restrictions by duly authorized representatives on the date first written hereinabove.

"CITY"

CITY OF PERRIS

Date: _____

By: _____
Mayor Daryl R. Busch

ATTEST:

City Clerk Judy L. Haughney

"AGENCY"

PERRIS REDEVELOPMENT AGENCY, a
public body corporate and politic

Date: _____

Chair Daryl R. Busch

ATTEST:

Agency Secretary Judy L. Haughney

APPROVED AS TO FORM:

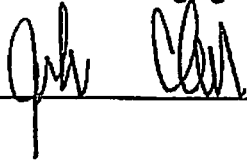
ALESHIRE & WYNDER, LLP

Eric L. Dunn, City Attorney and Agency Counsel

"OWNER"

PERRIS HOUSING INVESTORS, L.P.
a California limited partnership

By: TELACU Homes, Inc.,
a California nonprofit public benefit
corporation,
its Managing General Partner



Date: _____

[End of Signatures]

State of California)
County of ORANGE)

On 4/7/09, before me, Kerrie A. Wilkie, Notary Public
(insert name and title of the officer)

personally appeared John Clem
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.

Kerrie Wilkie
Signature _____ (Seal)



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)

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)

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)

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Perris, County of Riverside, State of California, more particularly described as:

[Insert Legal Description]

EXHIBIT "B"

Period Covered _____

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE
PERRIS REDEVELOPMENT AGENCY OF THE
CITY OF PERRIS, CALIFORNIA

The undersigned, PERRIS HOUSING INVESTORS, L.P., a California limited partnership ("Owner"), has read and is thoroughly familiar with the provisions of the Disposition and Development Agreement ("DDA") and documents referred to therein executed by Owner and Perris Redevelopment Agency ("Agency") including, but not limited to, the "Regulatory Agreement", as such term is defined in the DDA.

As of the date of this Certificate, the following Residential Units in the Project are: (i) occupied by Eligible Tenants or Qualified Permanent Residents (as defined in the Regulatory Agreement), or (ii) currently vacant and being held available for such occupancy and have been so held continuously since the date an Eligible Tenant vacated such Residential Unit:

Occupied Vacant

Eligible Tenants/Qualified Permanent Residents: _____

As of the date of this Certificate, the following are numbers of Extremely Low Income Tenants, Very Low Income Tenants and Low Income Tenants who commenced occupancy of Residential Units during the preceding year:

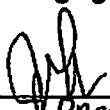
<u>Extremely Low</u>	<u>Very Low</u>	<u>Low Income</u>
<u>Income Tenants</u>	<u>Income Tenants</u>	<u>Tenants</u>
Unit Nos. _____	Unit Nos. _____	Unit Nos. _____

Attached is a separate sheet ("Occupancy Summary") listing, among other items, the following information for each Residential Unit: the number of each Residential Unit, the occupants of each Residential Unit, the rental paid for each Residential Unit, and the size and number of bedrooms of each Residential Unit. The Owner certifies that the information contained in the Occupancy Summary is true and accurate.

The undersigned hereby certifies that (1) a review of the activities of the Owner during such period and of the Owner's performance under the DDA and the documents referred to therein has been made under the supervision of the undersigned, and (2) to the best knowledge of the undersigned, based on the review described in clause (1) hereof, the Owner is not in default under any of the terms and provisions of the above documents (or describe the nature of any detail and set forth the measures being taken to remedy such defaults).

PERRIS HOUSING INVESTORS, L.P.,
a California limited partnership

By: TELACU Homes, Inc.,
a California nonprofit public benefit corporation,
its Managing General Partner

By:  John Clem
Its: PRESIDENT, TELACU Homes, INC.,
General Partner

[END OF SIGNATURES]

ATTACHMENT NO. 8
PERRIS STATION DDA
DEED OF TRUST
[SEE FOLLOWING PAGES]

Order No.
Escrow No.
Loan No.

WHEN RECORDED MAIL TO:
PERRIS REDEVELOPMENT AGENCY
101 North "D" Street
Perris, California 92570
Attention: Executive Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE
EXEMPT FROM RECORDING FEE PER GOV. CODE § 6103

**DEED OF TRUST WITH ASSIGNMENT OF RENTS AND RIDER ATTACHED HERETO
CONTAINING TERMS INCLUDING SECURITY AGREEMENT AND FIXTURE FILING**

**NOTE: RIDER ATTACHED TO THIS DEED OF TRUST CONTAINING TERMS INCLUDING
SECURITY AGREEMENT AND FIXTURE FILING.**

This DEED OF TRUST WITH ASSIGNMENT OF RENTS AND RIDER ATTACHED HERETO
("Deed of Trust"), is made _____, 20____, between PERRIS HOUSING INVESTORS, L.P., a
California limited partnership, herein called TRUSTOR, whose address is 5400 E. Olympic Blvd, Suite
300, Los Angeles, CA 90022 _____,
_____ a _____ corporation, herein called TRUSTEE, and

**THE PERRIS REDEVELOPMENT AGENCY, a public body, corporate and politic, herein called
BENEFICIARY.**

WITNESSETH: That Trustor grants to Trustee in trust, with power of sale, Trustor's estate, dated on or
about the date hereof, in that property in the City of Perris, County of Riverside, State of California,
described as:

SEE EXHIBIT "A" ATTACHED HERETO [APPEARS FOLLOWING RIDER]

together with the rents, issues and profits thereof, subject, however, to the right, power and authority
hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for
the purpose of securing (1) payment of the sum of \$_____, with interest thereon according to the
terms of a promissory note or notes of even date herewith made by Trustor, payable to order of
Beneficiary, and extensions or renewals thereof; (2) the performance of each agreement of Trustor
incorporated by reference or contained herein; and (3) payment of additional sums and interest thereon
which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory
note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor
expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each
and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of
the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange
County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of
Official Records in the office of the county recorder of the county where said property is located, noted
below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	568	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	168	1307	Siskiyou	506	782
Amador	133	438	Lassen	192	387	Riverside	3778	347	Solano	1287	821
Butte	1330	513	Los Angeles	T-3978	874	Sacramento	5039	124	Sonoma	2087	427
Calaveras	185	338	Madera	911	138	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	788	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	586	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	83	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	78	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6628	684	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	807	Yuba	398	693
Inyo	185	672	Nevada	363	94	Shasta	800	833			
Kern	3756	690	Orange	7182	18	San Diego					

SERIES 5 Book 1984, Page 149774

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

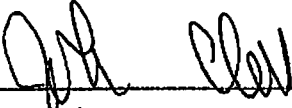
The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

SEE RIDER ATTACHED TO THIS DEED OF TRUST

Signature of Trustor:

PERRIS HOUSING INVESTORS, L.P.,
a California limited partnership

By: TELACU Homes, Inc.,
a California nonprofit public benefit corporation,
its Managing General Partner

By:  JOHN CLEM
Its: President, TELACU Homes, Inc.,
General Partner

[ACKNOWLEDGMENT FORMS AT END OF RIDER]

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. Subject to the rights of any senior lender, the amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary, subject to the rights of any senior lender, who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure

or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledges, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of

pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

TO _____, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes and of all indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated _____

Please mail Deed of Trust,
Note and Reconveyance to _____

Do Not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

DEED OF TRUST WITH POWER OF SALE	Company TRUSTEE
---	----------------------------

RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS

THIS RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Rider") is executed this _____ day of _____, 20____, by PERRIS HOUSING INVESTORS, L.P., a California limited partnership, herein "Trustor," in favor of the PERRIS REDEVELOPMENT AGENCY, a public body, corporate and politic, ("Beneficiary,") the same parties to that certain form Deed of Trust With Assignment of Rents, of even date hereto, to which this Rider is attached. This Rider is made a part of and is incorporated into said Deed of Trust. This Rider shall supersede any conflicting term or provision of the form Deed of Trust to which it is attached.

Reference is made to the following agreements and documents: (i) Disposition and Development Agreement by and between Trustor and Beneficiary, dated _____, 200____, providing for Trustor's acquisition and development of the Property ("DDA"); and (ii) Regulatory Agreement and Declaration of Covenants, Conditions and Restrictions, dated _____, _____, by and between Trustor and Beneficiary, providing for the use, operation, and maintenance of the Property ("Regulatory Agreement").

The parties hereto agree:

1. **Property.** The estate subject to this Rider is Trustor's fee estate in the real property legally described in the Deed of Trust ("Property"). In addition, Trustor grants to beneficiary a security interest in all of Trustor's rights, title, and interest in and to the following:

(a) All present and future inventory and equipment, as those terms are defined in the California Commercial Code, and all other present and future personal property of any kind or nature whatsoever, now or hereafter located at, upon or about the Property or used or to be used in connection with or relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation all present and future furniture, furnishings, fixtures, goods, tools, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, heating and air conditioning material and supplies, roofing material and supplies, window material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, carpeting, appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.

(b) All present and future accounts, general intangibles, chattel, paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the Property; (ii) all architectural, engineering, design and other plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, occupancy permits, construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection

with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Trustor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all lease, rental or occupancy agreements and payments received thereunder; (vi) all names under which the Property is now or hereafter known and all rights to carry on business under any such names or any variant thereof; (vii) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (ix) all insurance proceeds and condemnation awards arising out of or incidental to the ownership, development, construction, use, occupancy or operation of the Property; (x) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (xi) all loan commitments issued to Trustor in connection with any sale or financing of the Property; (xii) all water stock, if any, relating to any Property and all shares of stock or other evidence of ownership of any part of or interest in any Property that is owned by Trustor in common with others; and (xiii) all supplements, modifications and amendments to the foregoing.

(c) All fixtures located upon or within the Property or now or hereafter attached to, installed in, or used or intended for use in connection with the Property, including without limitation any and all partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, elevators, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment.

(d) All present and future accessories, additions, attachments, replacements and substitutions of or to any or all of the foregoing.

(e) All cash and noncash proceeds and products of any and all of the foregoing, including without limitation all monies, deposit accounts, insurance proceeds and other tangible or intangible property received upon a sale or other disposition of any of the foregoing.

2. **Obligations Secured.** Trustor makes this grant and assignment for the purpose of securing the following obligations ("Secured Obligations"):

(a) Payment and performance of all obligations of Trustor under this Deed of Trust, the DDA, and the Regulatory Agreement;

(b) Payment and performance of all future advances and other obligations of Trustor or any other person, firm, or entity with the approval of Trustor, may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Beneficiary, when the obligation is evidenced by a writing which recites that it is secured by the Deed of Trust and this Rider; and

(c) All modifications, extensions and renewals of any of the obligations secured hereby, however evidenced.

3. **Obligations.** The term "obligations" is used herein in its broadest and most comprehensive sense and shall be deemed to include, without limitation, all interest and charges, prepayment charges, late charges and fees at any time accruing or assessed on any of the Secured Obligations.

4. **Incorporation.** All terms of the Secured Obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Property shall be deemed to have notice of the terms of all of the foregoing documents.

5. **Mortgagee-in-Possession.** Neither the assignment of rents set forth in the Deed of Trust nor the exercise by Beneficiary of any of its rights or remedies hereunder shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property, unless Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Property by any court at the request of Beneficiary or by agreement with Trustor, or the entering into possession of the Property by such receiver, be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property.

6. **No Cure.** In the event Beneficiary collects and receives any rents under the Deed of Trust upon any default hereof, such collection or receipt shall in no way constitute a curing of the default.

7. **Opportunity to Cure.** Trustor's failure or delay to perform any term or provision of this Rider constitutes a default under this Rider; however, Trustor shall not be deemed to be in default if (i) Trustor cures, corrects, or remedies such default within thirty (30) days after receipt of a notice specifying such failure or delay, or (ii) for such defaults that cannot reasonably be cured, corrected, or remedied within thirty (30) days, if Trustor commences to cure, correct, or remedy such failure or delay within thirty (30) days after receipt of a written notice specifying such failure or delay, and diligently prosecutes such cure, correction or remedy to completion.

Beneficiary shall give written notice of default to Trustor, specifying the default complained of by Trustor. Copies of any notice of default given to Trustor shall also be delivered to any permitted lender. Beneficiary may not institute proceedings against Trustor until thirty (30) days after giving such notice or such longer period of time as may be provided herein. In no event shall Beneficiary be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within sixty (60) days after the first notice of default is given.

Trustor's limited partner shall have the right but not the obligation to cure any default of Trustor under this Rider and Beneficiary agrees to accept any cure tendered by Trustor's limited partner on behalf of Trustor within the cure periods stated in this section.

Except as otherwise expressly provided in this Rider, any failure or delay in giving such notice or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it deprive either party of its rights to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

In the event of any inconsistency in the terms of this Rider and the provisions set forth in the standard deed of trust recorded in the Recorder's Office of the County of Riverside, the terms of this Rider shall control.

8. Possession Upon Default. Subject to Section 7 above, upon the occurrence of a default, and after delivery of notice and the expiration of all applicable cure periods, Beneficiary may, at its option, without any action on its part being required and without in any way waiving such default, take possession of the Property and have, hold, manage, lease and operate the same on such terms and for such period of time as Beneficiary may deem proper, and may collect and receive all rents and profits, with full power to make, from time to time, all alterations, renovations, repairs or replacements thereto as may seem proper to Beneficiary, and to apply such rents and profits to the payment of (a) the cost of all such alterations, renovations, repairs and replacements, and all costs and expenses incident to taking and retaining possession of the Property, and the management and operation thereof, and keeping the same properly insured; (b) all taxes, charges, claims, assessments, and any other liens which may be prior in lien or payment of the Note, and premiums for insurance, with interest on all such items; and (c) the indebtedness secured hereby, together with all costs and attorneys' fees, in such order or priority as to any of such items as Beneficiary, in its sole discretion, may determine, any statute, law, custom or use to the contrary notwithstanding. Any amounts received by Beneficiary or its agents in the performance of any acts prohibited by the terms of this assignment, including, but not limited to, any amounts received in connection with any cancellation, modification or amendment of any lease prohibited by the terms of this assignment and any rents and profits received by Trustor after the occurrence of a default shall be held by Trustor as trustee for Beneficiary and all such amounts shall be accounted for to Beneficiary and shall not be commingled with other funds of the Trustor. Any person receiving any portion of such trust funds shall receive the same in trust for Beneficiary as if such person had actual or constructive notice that such funds were impressed with a trust in accordance therewith.

9. Receiver. In addition to any and all other remedies of Beneficiary set forth under this Rider or permitted at law or in equity, if a default shall have occurred, Beneficiary, to the extent permitted by law and without regard to the value, adequacy or occupancy of the security for the Note and other sums secured hereby, shall be entitled as a matter of right if it so elects to the appointment of a receiver to enter upon and take possession of the Property and to collect all rents and profits and apply the same as the court may direct, and such receiver may be appointed by any court of competent jurisdiction by ex parte application and without notice, notice of hearing being hereby expressly waived. The expenses, including receiver's fees, attorneys' fees, costs and agent's compensation, incurred pursuant to the power herein contained shall be secured by this Rider.

10. Security Agreement. The Deed of Trust and this Rider also constitute a Security Agreement with respect to all personal property in which Beneficiary is granted a security

interest hereunder, and Beneficiary shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as enacted in California ("California Uniform Commercial Code") as well as all other rights and remedies available at law or in equity. Trustor hereby agrees to execute and deliver on demand and hereby irrevocably constitutes and appoints Beneficiary the attorney-in-fact of Trustor, to execute, deliver and, if appropriate, to file with the appropriate filing officer or office such security agreements, financing statements, continuation statements or other instruments as Beneficiary may request or require in order to impose, perfect or continue the perfection of, the lien or security interest created hereby. Trustor and Beneficiary agree that the filing of a financing statement in the record normally having to do with personal property shall never be construed as in any way derogating from or impairing the lien of the Deed of Trust and this Rider and the intention of Trustor and Beneficiary that everything used in connection with the operation or occupancy of the Property is and at all times and for all purposes and in all proceedings, both legal and equitable, shall be regarded as real property or goods which are or are to become fixtures, irrespective of whether (i) any such item is physically attached to the buildings and improvements on the Property; (ii) serial numbers are used for the better identification of certain equipment items capable of being filed by the Beneficiary; or (iii) any such item is referred to or reflected in any such financing statement so filed at any time. Such mention in the financing statements is declared to be for the protection of the Beneficiary in the event any court or judge shall at any time hold that notice of Beneficiary's priority of interest must be filed in the California Commercial Code records to be effective against a particular class of persons, including, but not limited to, the federal government and any subdivision or entity of the federal government. Trustor covenants and agrees to reimburse Beneficiary for any costs incurred in filing such financing statement and any continuation statements.

Upon the occurrence of default hereunder, and after delivery of notice and the expiration of all applicable cure periods, Beneficiary shall have the right to cause any of the Property which is personal property and subject to the security interest of Beneficiary hereunder to be sold at any one or more public or private sales as permitted by applicable law, and Beneficiary shall further have all other rights and remedies, whether at law, in equity, or by statute, as are available to secured creditors under applicable law, specifically including without limitation the right to proceed as to both the real property and the personal property contained within the Property as permitted by Uniform Commercial Code Section 9501(4), including conducting a unified sale thereof. Any such disposition may be conducted by an employee or agent of Beneficiary or Trustee. Any person, including both Trustee and Beneficiary, shall be eligible to purchase any part or all of such property at any such disposition.

This Rider constitutes a fixture filing under Sections 9313 and 9402(6) of the California Uniform Commercial Code, as amended or recodified from time to time.

11. Notices, Demands, and Communications. Formal notices, demands, and communications between Trustor and Beneficiary shall be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To Beneficiary: Perris Redevelopment Agency
101 North "D" Street
Perris, California 92570
Attn: Executive Director

With a copy to: Aleshire & Wynder, LLP
18881 Von Karman Avenue, Suite 400
Irvine, California 92612
Attn: Eric L. Dunn, Esq.

To Trustor: Perris Housing Investors, L.P.
5400 E. Olympic Blvd., Ste. 300
Los Angeles, CA 90022
Attn: John Clem

To Trustor's limited partner: Multi-Housing Partners, LLC
320 Golden Shore, Suite 200
Long Beach, CA 90802
Attn: Legal Department

With copies to: MacFarlane Costa Housing Partners, LLC
320 Golden Shore, Suite 200
Long Beach, CA 90802
Attn: Legal Department

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as either party may from time to time designate by mail.

12. **Tax Credit Provisions.** The Deed of Trust and this Rider are subject and subordinate to Internal Revenue Code Section 42(h)(6)(E).

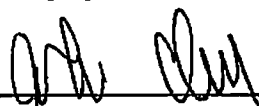
13. **Non-recourse.** The loan is non-recourse and Beneficiary's sole remedy shall be foreclosure under the Deed of Trust. Neither Trustor nor its partners shall be liable for any deficiency.

[Signatures to Follow]

IN WITNESS WHEREOF, Trustor has executed this Rider on the date of Trustor's acknowledgment hereinbelow, to be effective for all purposes as of the day and year first set forth above.

TRUSTOR:
PERRIS HOUSING INVESTORS, L.P., a
California limited partnership

By: TELACU Homes, Inc.,
a California nonprofit public benefit
corporation,
its Managing General Partner

By: 

John Clem

EXHIBIT "A"

LEGAL DESCRIPTION

Real property located in the City of Perris, County of Riverside, State of California, legally described as:

[To Be Inserted]