

**LOAN AGREEMENT
(MISSION HERITAGE)**

**by and between the
HOUSING AUTHORITY OF THE CITY OF RIVERSIDE
and
MISSION HERITAGE LP**

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ATTACHMENT NO. 1	SITE PLAN
ATTACHMENT NO. 2	SITE LEGAL DESCRIPTION
ATTACHMENT NO. 3	PROJECT DEVELOPMENT
ATTACHMENT NO. 4	SCHEDULE OF PERFORMANCE
ATTACHMENT NO. 5	PROJECT BUDGET
ATTACHMENT NO. 6	[INTENTIONALLY OMITTED]
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LOAN AGREEMENT (MISSION HERITAGE)

THIS LOAN AGREEMENT (the “**Agreement**”) dated for reference purposes only as of _____, 2017, is made and entered into by and between the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public body, corporate and politic (the “**Authority**”), and MISSION HERITAGE LP, a California limited partnership (the “**Developer**”), with reference to the following:

RECITALS

The following Recitals are a substantive part of this Agreement. Capitalized terms used in these Recitals and not otherwise defined shall have the meaning set forth in Section 1.1.

A. The Authority is a body, corporate and politic established by action of the City Council of the City of Riverside pursuant to Resolution No. 21275 for the purpose of providing affordable housing opportunities through a variety of programs within the City of Riverside and exercising governmental functions and powers pursuant to the California Housing Authorities Law (California Health and Safety Code § 34200, *et seq.*, the “**Housing Authority Law**”).

B. The City of Riverside (the “**City**”) has adopted a Housing Element to its General Plan pursuant to Government Code Section 65580 *et seq.*, which sets forth the City’s policies, goals and objectives to provide housing to all economic segments of the community, including the preservation and development of rental housing affordable to very low income, low income and moderate income households.

C. By action of the City Council pursuant to Chapter 2 of the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*, the “**Community Redevelopment Law**”), the City established the Redevelopment Agency of the City of Riverside (the “**Agency**”), whose purpose included increasing, improving and preserving the community’s supply of housing affordable to and occupied by low and moderate income households pursuant to Section 33334.2, 33334.3, 33334.6 and 33413 of the Community Redevelopment Law.

D. On December 29, 2011 in the petition *California Redevelopment Association v. Matosantos* (Case No. S194861), the California Supreme Court upheld Assembly Bill XI 26 that added Parts 1.8 and 1.85 to Division 24 of the Health and Safety Code (“**Dissolution Act**”), which laws caused the dissolution of all redevelopment agencies in California as of February 1, 2012.

E. As of, on, and after February 1, 2012, the Agency became a dissolved redevelopment agency pursuant to the Dissolution Act.

F. By adoption of its Resolution No. 22323 on January 10, 2012, the City Council elected not to have the City retain the responsibility for performing housing functions previously performed by the Agency following dissolution of the Agency and, instead, allowed the Housing Authority to make the election authorized under the Dissolution Act to retain the housing assets and functions previously performed by the Agency.

G. By the adoption of its Resolution No. 7 on January 10, 2012, the governing board of the Authority elected to have the Authority assume the housing assets and housing functions previously held and performed by the dissolved Agency pursuant to the Dissolution Act, effective upon dissolution of the Agency. Accordingly, as of, on, and after February 1, 2012, the Housing Authority began to perform and will continue to perform its functions as the “successor housing agency” of the former Agency pursuant to the Dissolution Act.

H. The Authority has received funds designated for the purposes of increasing, improving and preserving the community’s supply of affordable housing, including rental housing available for occupancy at affordable rent to very low income, low income and moderate-income households in the City.

I. The Developer intends to acquire that certain real property located at 3901 and 3922 Mission Inn Avenue and 3942 Sixth Street, in the City of Riverside, California and identified with Assessor Parcel Numbers 214-212-007 -008, -009, -010, -011, -012, and -013 (collectively, the “*Site*”) as depicted on the Site Plan (Attachment No. 1) and described in the Site Legal Description (Attachment No. 2), incorporated herein by this reference and intends to develop and construct a mixed use development composed of approximately _____ square feet of commercial space/office/museum (the “*Commercial Component*”) and a multifamily, affordable housing project consisting of approximately seventy-two (72) Affordable Units, including one (1) unrestricted Manager’s Unit (the “*Residential Component*”), on the Site together with any improvements appurtenant thereto. The Residential Component together with the Commercial Component, comprise and is known as the “*Project*.”

J. The Developer is a California limited partnership, and the sole member of its managing general partner, is Wakeland Housing and Development Corporation, a California nonprofit public benefit corporation (“*Wakeland*”), which is an experienced affordable housing developer.

K. The Authority and Developer desire to enter into this Agreement to:

(i) allow the Authority to provide a loan in the principal amount of Three Million Dollars (\$3,000,000) (the “*Loan*”) to the Developer for the acquisition of the Site and for Predevelopment Costs (as defined below) and construction related project expenses in accordance with this Agreement.

L. The provision of financial assistance to the Developer and the development of the Project pursuant to the terms and conditions of this Agreement are in the vital and best interest of the Authority and the health, safety and welfare of the City’s residents, and in accord with the public purposes and provisions of applicable federal, state and local laws, including (without limitation) the Authority’s housing obligations.

NOW, THEREFORE, for and in consideration of the foregoing recitals, which are hereby incorporated into this Agreement by this reference, and for other good and valuable consideration,

the receipt and sufficiency of which is hereby incorporated, the Authority and the Developer hereby agree as follows:

1. DEFINITIONS

1.1 Defined Terms.

As used in this Agreement, the following capitalized terms shall have the following:

“Affordable Rent” means the amount of monthly rent, including a reasonable utility allowance, that does not exceed the lesser of the maximum allowable rent to be charged by Developer and paid by the Qualified Household, occupying the Affordable Units, as determined pursuant to (i) any applicable Tax Credit Regulatory Agreement, (ii) Section 50053 of the Health & Safety Code or any successor statute, (iii) applicable regulations pursuant to any other source of financing secured for, and continuing to be secured by, the Project, or (iv) if applicable, any effective Section 8 Program regulations as to any Affordable Unit designated as a project-based Section 8 unit or otherwise occupied by a holder of a Rental Voucher or Rental Certificate evidencing participation in the Section 8 Program. For purposes of calculating Affordable Rent a “reasonable utility allowance” shall be the allowance established by the Tax Credit Rules or such lesser allowance reasonably permitted by the Authority including, but not limited to, the California Utility Allowance Calculator, if applicable.

“Affordable Units” means the seventy-one (71) Units to be constructed on the Site, which shall consist of two and three-bedroom Units required to be maintained on the Site and available to, occupied by, Qualified Households, fifty (50) Units of which shall be available to Qualified Low Income Households and twenty-one (21) Units which shall be available to Very Low-Income Households. To the extent permitted by law, preference shall be given to households as identified in Section 5.2.3.

“Affordability Period” means the period commencing upon the recordation of the Release of Construction Covenants and terminating on the fifty-fifth (55th) anniversary thereof.

“Agreement” means this Loan Agreement, including all of the Attachments hereto.

“Assignment of Plans Reports and Data” means that assignment attached hereto as Attachment No. 13.

“Authority” means the Housing Authority of the City of Riverside, a public body, corporate and politic.

“Authority Board” means the board members of the Housing Authority.

“Authority Deed of Trust” means the Deed of Trust, Fixture Filing and Assignment of Rents substantially in the form attached hereto as Attachment No. 8 to be executed

by the Developer as Trustor, in favor of the Authority, as Beneficiary, and to be recorded as a lien against the Site to secure the Authority Loan in accordance with the terms and conditions of this Agreement.

“Authority Loan” means the loan from the Authority to the Developer in an amount not to exceed Three Million Dollars (\$3,000,000).

“Authority Loan Documents” means the following documents evidencing the Authority Loan and required as consideration for the Authority to make the Authority Loan: (i) the Authority Promissory Note; (ii) the Authority Deed of Trust; (iii) the Authority Regulatory Agreement; (iv) the Assignment of Plans, Reports and Data; and (v) this Agreement.

“Authority Promissory Note” means the promissory note evidencing the Authority Loan substantially in the form shown in Attachment No. 7 hereto.

“Authority Regulatory Agreement” means the regulatory agreement which is to be recorded against the Site substantially in the form attached hereto as Attachment No. 9.

“Capital Replacement Reserve” is defined in Section 5.4.

“City” means the City of Riverside, a California charter city and municipal corporation.

“Commercial Component” has the meaning set forth in Recital I.

“Construction Contract” is defined in Section 3.2.

“Conversion” shall be the date upon which the Construction Loan is converted to the Permanent Loan.

“Conveyance” is defined in Section 2.2.2.

“County” means the County of Riverside, a political subdivision of the State of California.

“Developer” means Mission Heritage LP, a California limited partnership, and any permitted successors and assigns pursuant to section 2.2 of this Agreement.

“Developer Approval Period” shall be the one month period following the Effective Date.

“Disbursement Request” is defined in Section 3.4.

“Effective Date” means the date upon which this Agreement was approved by the Authority.

“Environmental Laws” means any and all applicable present and future federal, state and local laws (whether under common law, statute, ordinance, rule, regulation or

otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment or to any Hazardous Substance or Hazardous Substance Activity (including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. § 9601, *et seq.*), as heretofore or hereafter amended from time to time (“**CERCLA**”), and the applicable provisions of the California Health and Safety Code and the California Water Code, and any and all successor statutes and regulations, orders, decrees, guidelines, or pronouncements promulgated thereunder).

“**Event of Default**” means the failure of a party to perform any action or covenant required by this Agreement within the time periods herein provided following notice and opportunity to cure, as set forth in Section .1.

“**Evidence of Financing**” is defined in Section 3.1

“**Executive Director**” means the Executive Director of the Authority or his/her designated representative.

“**General Contractor**” is defined in Section 3.2.

“**Governmental Regulations**” means any applicable local, state, and federal laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, environmental labor relations, prevailing wage, notification of sale to employees, Hazardous Substance, occupational health and safety, water, earthquake hazard reduction and building and fire codes) bearing on the demolition, alteration, replacement, repair, refurbishing, improvement, construction, maintenance, management, use, or operation of the Project.

“**Hazardous Substance**” means (i) any chemical, compound, material, mixture or substance that is now or hereafter defined or listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101), as amended from time to time, or now or hereafter otherwise classified or regulated pursuant to any Environmental Laws as a “hazardous substance”, “hazardous material”, “hazardous waste”, “extremely hazardous waste”, “infectious waste”, “toxic substance”, “toxic pollutant” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or “EP toxicity”, (ii) any asbestos or asbestos containing material, any polychlorinated biphenyls (PCB’s), (iv) any urea formaldehyde, and (v) any petroleum, natural gas, natural gas liquid, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas), ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources. Notwithstanding the foregoing, “Hazardous Substances” shall not include any household cleaner or chemical, compound, material, mixture or substance used in the normal course of operating an apartment complex, so long as such household cleaner, chemical, compound, material, mixture or substance is used in accordance with Environmental Laws and stored in reasonable quantities.

“Hazardous Substance Activity” means any actual, proposed or threatened storage, holding, existence or suspected existence, release or suspected release, emission, discharge, generation, processing, abatement, removal, disposition, treatment, handling or transportation of any Hazardous Substance from, under, into, on, above, around or across the Site or surrounding property or any other use of or operation on the Site or the surrounding property that creates a risk of Hazardous Substance contamination of the Site.

“Housing Project Manager” means that person designated by the Executive Director to manage affordable housing projects within the City of Riverside.

“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 and (ii) has obtained or is contractually obligated to obtain a limited partnership or limited liability company membership interest in the Project whereby it will receive 90 percent or more of the Tax Credits obtained in connection with the Project.

“Loan Proceeds” is defined in Section 3.4.

“Management Plan” means the plan for the management of the Project to be submitted by the Developer and approved by the Authority in its reasonable discretion, as set forth in Section 5.7 hereof.

“Manager’s Unit” shall mean one (1) unrestricted Unit in the Project reserved for occupancy by an on-site manager of the Project who performs substantial duties directly related to the management and/or the maintenance of the Project.

“Marketing Plan” means the plan for the marketing of the Affordable Units to be submitted by the Developer and approved by the Authority, as set forth in Section 5.6 hereof.

“Notice” means a notice in the form described by Section 8.1.

“Operating Reserve” is defined in Section 5.5.

“Parties” means the Authority and Developer.

“Permanent Lender” means the maker of any Permanent Loan or beneficiary of any Permanent Loan Deed of Trust.

“Permanent Loan” means the Source of Financing in the form of a permanent loan to be made to the Developer at Conversion, secured against the Leasehold by the Permanent Loan Deed of Trust.

“Permanent Loan Deed of Trust” means the deed of trust securing the Permanent Loan that is first in priority and shall be senior to the Authority Deed of Trust.

“Predevelopment Costs” means predevelopment expenses which are customarily incurred and shall have been actually incurred by Developer in connection with the Project and shall include, without limitation, the following: architectural, engineering or related professional services required to prepare plans, specifications or work write-ups; application, commitment and/or origination fees in connection with construction and/or permanent financing contemplated by this Agreement; security services; land use entitlements and building permits; development fees; utilities fees; property insurance; title and other insurance, legal and accounting fees; tests to determine the condition of the Site; costs of environmental review; development impact fees; property taxes; fees for financial and advisory services and any other appropriate predevelopment costs identified in the Project Budget and reasonably approved by the Authority.

“Project” is defined in Recital I.

“Project Budget” is attached hereto as Attachment 5.

“Project Costs” means all costs and expenses reasonably approved pursuant to this Agreement which are customarily incurred and shall have been actually incurred by Developer for the development of the Project and shall include, without limitation, the following: Predevelopment Costs; construction costs; construction and design fees; architectural and engineering costs and fees (if any); a construction management fee as set forth in the Project Budget; applicable property taxes and assessments; security services; off-site improvements and permits (if any); building permits; utility fees; insurance; legal and accounting fees; escrow fees and costs; title and title insurance; bonds; tests to determine the condition of the Site; and such other costs, fees and expenses, as agreed to by the City; provided, however, that payment to parties related to Developer for Project Costs must not exceed reasonable and customary market rates.

“Property Manager” means the property manager of the Project, as set forth in Section 5.7.

“Qualified Household” means a Qualified Low Income Household.

“Qualified Low-Income Household” means a Household whose gross annual income does not exceed sixty (60%) of the Riverside County median income adjusted for family size as set forth from time to time by regulation of the California Department of Housing and Community Development.

“Release of Construction Covenants” means the document which evidences the Developer’s satisfactory completion of the Project, as set forth in Section 4.17, in substantially the form of Attachment No. 11.

“Request For Notice of Default” means a request for notice of default to be recorded in accordance with Section 3.3.3 against the Site in substantially the form shown in Attachment No. 12.

“Residential Component” has the meaning set forth in Recital I.

“Schedule of Performance” means that certain Schedule of Performance attached hereto as Attachment No. 4, setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be accomplished. The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between the Developer and the Authority. The Authority authorizes the Executive Director to make such revisions to the Schedule of Performance as he/she deems reasonably necessary to effectuate the purposes of this Agreement.

“Site” means that certain real property referenced in Recital J above as delineated on the Site Plan (Attachment No. 1) and more particularly described in the Site Legal Description (Attachment No. 2).

“Site Legal Description” means the description of the Site which is attached hereto as Attachment No. 2.

“Site Plan” means the map of the Site and the proposed Project is attached hereto as Attachment No. 1.

“Social Programs” means social service and support activities provided by Developer or its designee relating to the economic and social needs of the tenants in the Project.

“Tax Credit Regulatory Agreement” means the regulatory agreement which may be required to be recorded against the Site by TCAC with respect to the issuance of Tax Credits.

“Tax Credit Rules” means Section 42 of the Internal Revenue Code of 1986, as amended, and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*, and the rules and regulations promulgated by the United States Treasury and TCAC, as the case may be, implementing the foregoing.

“Tax Credits” means Low Income Housing Tax Credits granted pursuant to Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*

“TCAC” means the California Tax Credit Allocation Committee.

“Title Company” means First American at 3400 Central Avenue, Suite 100, Riverside, CA 92506

“Unit” or ***“Units”*** means the individual dwelling units within the Project to be constructed and operated by the Developer on the Site, in accordance with the terms and conditions of this Agreement.

“Very Low-Income Household” means a Household whose gross annual income does not exceed fifty percent (50%) of the Riverside County median income adjusted for

family size as set forth from time to time by regulation of the California Department of Housing and Community Development.

1.2 Singular and Plural Terms.

Any defined term used in the plural herein shall refer to all members of the relevant class and any defined term used in the singular shall refer to any number of the members of the relevant class.

1.3 Accounting Principles.

Any accounting term used and not specifically defined herein shall be construed in conformity with, and all financial data required to be submitted herein shall be prepared in conformity with, generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to the Executive Director.

1.4 References and Other Terms.

Any reference to any document shall include such document both as originally executed and as it may from time to time be modified. References herein to Sections and Attachments shall be construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears. The term “document” is used in its broadest sense and encompasses agreements, certificates, opinions, consents, instruments and other written material of every kind. The terms “including” and “include” mean “including (include), without limitation.”

1.5 Attachments Incorporated.

All attachments to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

2. REPRESENTATIONS AND TRANSFERS

2.1 Representations by the Developer.

The Developer hereby represents and warrants to the Authority as follows:

2.1.1 Organization. Developer is a duly formed, validly existing limited partnership in good standing under the laws of the State of California and has the requisite power and authority to own and lease property and carry on its business as now being conducted. The copies of the documents evidencing the organization of Developer delivered to the Authority are true and correct copies of the originals as of the Effective Date.

2.1.2 Authority. The Developer has the requisite power, right and authority to execute, deliver and enter into this Agreement and any and all other agreements and

documents required to be executed and delivered by the Developer in order to carry out, give effect to, and consummate the transactions contemplated by this Agreement, and to perform and observe the terms and provisions of all of the above. The parties who have executed this Agreement and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement are authorized to execute and deliver the same on behalf of the Developer and all actions required under Developer's organizational documents and applicable governing law for the authorization, execution, delivery and performance of this Agreement and all other documents or instruments executed and delivered, or to be executed and delivered pursuant hereto, have been duly taken.

2.1.3 Valid Binding Agreements. This Agreement and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will constitute when so executed and delivered, legal, valid and binding obligations of the Developer enforceable against it in accordance with their respective terms.

2.1.4 Contingent Obligations. The Developer does not have any material contingent obligations or any material contractual agreements (other than in connection with the development of the Project) which could materially adversely affect the ability of the Developer to carry out its obligations hereunder.

2.1.5 Litigation. To the Developer's best knowledge, no action, suit or proceedings are pending or threatened before any governmental department, commission, board, bureau, agency or instrumentality to which the Developer is or may be made a party or to which any of its property is or may become subject, which has not been disclosed to the Authority which could materially adversely affect the ability of the Developer to carry out its obligations hereunder.

2.1.6 No Conflict. Developer's execution and delivery of this Agreement and any other documents or instruments executed and delivered, or to be executed or delivered, pursuant to this Agreement, and the performance of any provision, condition, covenant or other term hereof or thereof, do not or will not conflict with or result in a breach of any statute, rule or regulation, or any judgment, decree or order of any court, board, commission or agency whatsoever binding on Developer, or any provision of the organizational documents of Developer, or will conflict with or constitute a breach of or a default under any agreement to which Developer is a party, or will result in the creation or imposition of any lien upon any assets or property of Developer, other than liens established pursuant hereto.

2.1.7 No Developer Bankruptcy.

No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization, receivership or other proceedings are pending or, to the best of Developer's knowledge, threatened against the Developer or any parties affiliated with Developer, nor are any of such proceedings contemplated by Developer or any parties affiliated with Developer.

Each of the foregoing representations shall be deemed to be an ongoing representation and warranty. The Developer shall advise the Authority in writing if there is any change pertaining to any matters set forth or referenced in the foregoing representations.

2.2 Limitation Upon Change in Ownership. Management and Control of Developer.

2.2.1 Prohibition. The identity and qualifications of Developer's general partner as an experienced and successful developer and operator/manager of affordable housing are of particular concern to the Authority. It is because of this identity and these qualifications that Authority has entered into this Agreement with the Developer. Prior to the expiration of the Affordability Period, except as expressly set forth herein, Developer shall not make any total or partial sale, transfer, conveyance, encumbrance to secure financing (including, without limitation, the grant of a deed of trust to secure funds necessary for construction and permanent financing of the Project), distribution, assignment or lease of the whole or any part of the Site or any material change in the management or control of Developer without the prior written approval of the Authority which shall not be unreasonably withheld, conditioned or delayed.

2.2.2 Permitted Transfers by Developer. Notwithstanding any other provision of this Agreement to the contrary, Authority approval of an assignment of this Agreement or conveyance of the Site or any part thereof shall not be required in connection with any of the following:

i. the conveyance or dedication of any portion of the Site to the City or other appropriate governmental agencies, or the granting of easements or permits to public utilities to facilitate the development of the Project;

ii. subject to the restrictions of Section 5.2 hereof and as set forth in the Authority Regulatory Agreement, the rental of the Affordable Units to Qualified Households;

iii. any requested assignment for financing purposes (subject to such financing being considered and reasonably approved by the Authority pursuant to Section 2.2 herein), including the grant of a deed of trust to secure funds necessary for construction and permanent financing of the Project;

iv. any transfer of the Site or partnership interests in the Developer to Wakeland or an entity controlled by Wakeland;

v. any transfer of the partnership interests in the Developer to Fair Housing Council of Riverside County, a California nonprofit public benefit corporation ("**FHCRC**") or an entity controlled by FHCRC;

vi. any transfer to a limited partnership in which Wakeland or an entity controlled by Wakeland or Riverside Housing and Development Corporation or an entity

controlled by Riverside Housing and Development Corporation, is the managing general partner. The term “control” as used in the immediately preceding sentence, means, with respect to an entity that is a corporation, the right to the exercise, directly or indirectly, of more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to an entity that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person;

- vii. any transfer of any partnership interest in the Developer; and
- viii. the removal of any of the general partners of the Developer by the limited partners of the Developer pursuant to the terms and conditions of the Developers Limited Partnership Agreement, as such agreement may be amended from time to time.

2.3 Authority Consideration of Requested Transfer.

Except for a transfer permitted pursuant to Section 2.2.2 above, Developer shall provide Authority with thirty (30) calendar days’ prior written notice of its intent to assign or transfer and shall request any approval sought for such assignment or transfer described in Section 2.2.2 above. Such notice shall be accompanied by evidence regarding the proposed assignee’s or purchaser’s development, operation and management qualifications and experience and its financial commitments and resources sufficient to enable the Authority to evaluate the proposed assignee or purchaser is qualified and capable to perform the Developer’s obligations pursuant to this Agreement.

Within thirty (30) calendar days, or, if board or council approval is required, forty-five (45) calendar days, after the receipt of Developer’s written request for Authority approval of an assignment or transfer pursuant to this Section 2.3, Authority shall respond in writing either approving the proposed assignee or transferee or requesting further information reasonably required by Authority in order to determine whether or not to grant the requested approval failure of the Authority to respond shall be deemed approval of such request. Upon receipt of such a request for further information, Developer shall promptly furnish to Authority such requested information.

An assignment or transfer approved by the Authority pursuant to this Section 2.3 shall not be effective unless and until the proposed assignee or transferee executes and delivers to the Authority an agreement in form reasonably satisfactory to Authority’s legal counsel assuming the obligations of Developer under the Authority Loan Documents. Thereafter, the assignor shall remain responsible to Authority for performance of the obligations assumed by the assignee unless the Authority releases the assignor in writing.

2.4 Successors and Assigns.

All of the terms, covenants and conditions of this Agreement shall be binding upon Developer and the permitted successors and assigns of Developer.

3. FINANCING OF THE PROJECT

3.1 Sources of Financing.

As set forth in the Project Budget, the parties anticipate that Project costs shall be financed with a combination of funds from the proceeds of the Authority Loan, the Construction Loan, Tax Credits, Cap-and-Trade and such other financing sources as secured pursuant to Section 3.8. Developer shall work diligently to obtain such additional financing prior to Close of Escrow.

As a condition precedent to Authority's obligation to fund the Authority Loan at the Closing, Developer shall submit to the Executive Director evidence that Developer has obtained, or will obtain prior to the Closing, sufficient commitments for (a) financing to finance the completion of the Project or (b) equity capital for completion of the Project, such that the Executive Director is reasonably satisfied based upon the review and findings of the Authority's financial consultant that the Project can be constructed and operated in accordance with this Agreement. Such evidence (collectively, the "*Evidence of Financing*") shall include, at a minimum:

i. If the Project is financed by a third party lender, final construction loan documents along with evidence reasonably satisfactory to the Executive Director that the lender intends to execute the same and provide an initial funding on the Closing. Any such agreement shall provide for notice of default to the Authority, and the right to cure required by Section 5.16.

ii. Evidence of such other loans or grants as may be required to pay (i) the amount of the "Construction Contract" (as defined in Section 3.2 below) for the Project, plus (ii) an amount equal to all consultant and loan fees, points, commissions, bond issuance costs, charges, furnishings, fixtures, taxes, interest, start-up costs, Developer's overhead and administration, and other costs and expenses of developing and completing the Project.

iii. A copy of the most recently prepared Annual Financial Statement for Developer or its general partner.

iv. A final Project Budget and Evidence of Financing, including the amount of tax credit equity to be contributed by the Investor, and such evidence as may be reasonably required to satisfy the Executive Director that (a) Developer has obtained sufficient financing to construct and operate the Project during the Affordability Period, (b) that the interest rate to be charged on any financing is commercially reasonable, and (c) that the Project is financially feasible and able to meet its financial obligations as required hereby and by any other agreements binding upon the Project, and in accordance with the Project Budget.

Upon Developer obtaining additional financing, Authority has the right to reduce the Authority Loan by the additional amount obtained.

3.2 Construction Contract.

At least fifteen (15) days prior to the funding of the Authority Loan, Developer agrees to deliver to Authority, for its review and approval, a fixed price or guaranteed maximum cost construction contract(s) (the “**Construction Contract**”) for all of the improvements necessary to complete the Project, which Construction Contract shall obligate a reputable and financially responsible general contractor(s) (“**General Contractor**”), capable of being bonded and licensed in California and with experience in completing the type of Project contemplated by this Agreement, to commence and complete the construction of those improvements in accordance with this Agreement and under the terms provided therein. The Construction Contract shall contain a schedule of values in such form as is reasonably satisfactory to the Authority. The Authority shall not unreasonably withhold its approval of the Construction Contract provided that such contract conforms to the requirements of this Agreement.

Each Construction Contract shall give Authority the right, but not the obligation, to cure defaults thereunder and to assume Developer’s obligations and rights under the contract; provided that such right to cure and assume that contract shall be subject to the right, if any, of the Construction Loan lender. In addition, each Construction Contract shall provide, among other matters, that any single change order in excess of Fifty Thousand Dollars (\$50,000) must be approved by the Executive Director, which approval shall not be unreasonably withheld, conditioned or delayed and provided within five (5) Business Days. Further, each Construction Contract shall set forth a reasonably detailed schedule for completion of each stage of construction.

Authority approval of the Construction Contract shall not constitute a waiver by the Authority of any breach or violation of this Agreement that is a result of acts that are or purport to be in compliance with or in furtherance of said Construction Contract.

In connection with delivery of the Construction Contract, Developer shall furnish the Authority with a contractor’s performance bond in an amount not less than one hundred percent (100%) of the costs for the applicable Project improvements and a payment bond guaranteeing contractor’s completion of those improvements free from liens of material men, contractors, subcontractors, mechanics, laborers, and other similar liens. Said bonds shall be issued by a responsible surety company, licensed to do business in California and with a financial strength and credit rating reasonably acceptable to the Authority and shall remain in effect until the entire costs for such improvements shall have been paid in full. Any such bonds shall be in a form reasonably satisfactory to the Authority legal counsel. In lieu of the payment and performance bonds, Developer may provide (i) a guaranty, in such form as reasonably required by the Authority, to be executed by Developer’s parent for the lien free completion of the Project in accordance with this Agreement; or (ii) a letter of credit issued to the Authority in the amount of not less than one hundred percent (100%) of the costs for the applicable improvements, in a form and from a financial institution approved by the Authority, which approval shall not be unreasonably withheld.

3.3 Authority Loan.

Authority hereby agrees to loan to Developer and Developer hereby agrees to borrow the Authority Loan in an amount not to exceed Three Million Dollars (\$3,000,000) from the Authority pursuant to the terms and conditions of the Authority Loan Documents. Said final amount will be determined once all Developer financing has been obtained. Developer acknowledges and agrees that the Authority Loan may only be used for site acquisition and development of the Residential Component and for no other purpose of the Project.

3.3.1 Funding. Authority shall make the Authority Loan to Developer from available funds allocated to the Authority pursuant to the Community Redevelopment Law and such other funds as reasonably determined by the Authority in its sole and absolute discretion. The Authority Loan shall be made in accordance with and subject to the terms and conditions set forth in the Authority Promissory Note, the Authority Deed of Trust and this Agreement.

3.3.2 Security for Authority Loan; Nonrecourse Obligation After Completion of Construction.

The Authority Loan shall be evidenced by the Authority Promissory Note and shall be secured by the Authority Deed of Trust. In addition, Developer shall assign certain documents and agreements to Authority as collateral for the Authority Loan by executing the Assignment of Plans, Reports and Data as security for the loan prior to the recordation of the Release of Construction Covenants. Following the recordation of the Release of Construction Covenants, the Authority Loan shall constitute a nonrecourse obligation of Developer such that the Authority shall resort only to the Site for repayment in the Event of Default by Developer, and Developer shall have no further liability for repayment in the event the Site or portion thereof is foreclosed upon.

To the extent permitted by laws, Developer shall utilize in good faith and as practicable, and shall require its contractors and subcontractors to utilize in good faith and as practicable, lower income persons residing in the redevelopment project areas lying within the City's municipal boundaries in their hiring programs, in the construction and development of the Project consistent with the hiring preference authorization and \$100,000 contract threshold set forth by Health & Safety Code Section 33422.3. The ultimate determination of employment or contracting, however, shall remain with Developer and its contractors and subcontractors in their reasonable discretion.

3.3.3 Subordination.

The Authority Deed of Trust shall be subordinate to the liens and encumbrances of the Authority Regulatory Agreement, the Construction Loan, the Permanent Loan and such exceptions to title as are approved by the Authority in writing. In addition, the Authority agrees to consider in good faith any other reasonable request by Developer for subordination of the Authority Deed of Trust to other loans obtained by Developer pursuant to Section 3.8 where Authority's interests are protected and secure. A Request for Notice of Default

shall be recorded in the official records of Riverside County concurrent with any documents evidencing the subordination of the Authority Loan.

So long as the conditions set forth in this Section 3.3.3 are satisfied, the Authority Regulatory Agreement shall be subordinate to the liens of the Construction Loan and such exceptions to title as are approved by the Authority in writing.

The Authority Regulatory Agreement may be subordinated to any approved sources of permanent financing upon a finding by the Executive Director pursuant to Health & Safety Code Section 33334.14 and based upon evidence submitted by the Developer and/or lender that an economically feasible alternative method of financing on substantially comparable terms and conditions, but without subordination, is not reasonably available and the Authority obtains written commitments reasonably designed to protect the Authority's investment in the Event of Default.

The subordination by the Authority pursuant to this Section 3.3.3 shall be made in accordance with a subordination agreement in the form and substance approved by Authority's legal counsel which agreement shall include written commitments reasonably designed to protect the Authority's investment and covenants in the event of default, including, but not limited to, reasonable notice and cure rights ("***Subordination Agreement***").

3.4 Disbursement of Loan Proceeds.

The Authority Loan shall be used for the acquisition of the Site and for Project Costs in connection with the development and construction of the Residential Component of the Project.

Following the Closing, up to Three Million Dollars (\$3,000,000) of the proceeds of the Authority Loan (the "***Loan Proceeds***") shall be made available for disbursement for Project Costs.

Upon satisfaction of the conditions precedent to the disbursement of the Loan Proceeds set forth in Section 3.6, the remaining Loan Proceeds shall be disbursed to Developer not later than thirty (30) days after receipt by the Housing Project Manager of a written disbursement request from the Developer (each, a "***Disbursement Request***"). The Disbursement Request shall set forth the amount of the requested disbursement of Loan Proceeds and shall certify that (a) all conditions precedent to disbursement of the Loan Proceeds set forth in Section 3.6 have been and remain satisfied in all material respects and (b) no Event of Default has occurred and is continuing under the Authority Loan Documents beyond any applicable notice and cure period. The Authority shall use its best commercially reasonable efforts to wire transfer such disbursements when requested by Developer.

3.5 Retention.

Except as provided herein, as to each Disbursement Request made to the Authority for Project Costs, disbursements of Loan Proceeds shall be made for such item in the amount of ninety percent (90%) of the costs for such item properly incurred and substantiated by Developer during the course of the Project. Upon satisfaction of the conditions set forth in Section 3.7, Authority shall disburse Loan Proceeds in the amount of Ninety Percent (90%) of each Disbursement Request for Project Costs; provided, however, that (a) the amounts so retained on account of rough grading, wet and dry utilities, concrete foundations, and framing shall be released on a trade by trade basis, so long as the construction of the trade improvements has been completed substantially in accordance with the Plans and has been fully paid for and is lien free, and (b) all work requiring inspection or certification by any governmental agency has been completed and all requisite certificates, approvals and other necessary authorizations required at such time have been obtained.

Notwithstanding the foregoing, as to each Disbursement Request made to Authority for Project Costs that constitute payment of City permits and development impact fees related to the Project or the payment of “soft costs,” disbursements of Loan Proceeds shall be made for such item in the amount of one-hundred percent (100%) of the costs for such item properly incurred and substantiated by Developer during the course of the Project.

Upon satisfaction of the conditions precedent to the disbursement of the Retention set forth in Section 3.7, the proceeds shall be disbursed to Developer not later than thirty (30) days after receipt by the Housing Project Manager of a written disbursement request from the Developer (the “***Final Disbursement Request***”). The Final Disbursement Request shall set forth the amount of the requested disbursement of Loan Proceeds and shall certify that (a) all conditions precedent to disbursement of the Loan Proceeds set forth in Section 3.6 have been and remain satisfied in all material respects and (b) all conditions precedent to disbursement of the Retention set forth in Section 3.7 have been and remain satisfied. The Authority shall use its best commercially reasonable efforts to wire transfer such disbursement when requested by Developer.

3.6 Conditions Precedent to Disbursement of the Loan Proceeds.

All disbursements of Loan Proceeds shall be recorded by the Housing Project Manager and acknowledged by the Developer on Exhibit “A” to the Authority Promissory Note. The Authority shall authorize the disbursement of Loan Proceeds to or on behalf of Developer upon closing only upon satisfaction of the conditions precedent set forth in this Section 3.6.

3.6.1 Execution and Delivery of Authority Loan Documents. Developer shall have executed and delivered to the Authority this Agreement, the Authority Regulatory Agreement, the Authority Promissory Note, the Authority Deed of Trust, and the Assignment of Plans, Reports and Data.

3.6.2 Evidence of Financing. The Executive Director shall have approved the Evidence of Financing in accordance with Section 3.1.

3.6.3 Evidence of Insurance. Developer shall have furnished Authority with proper evidence of insurance as required by Section 6.2.

3.6.4 Title to Land. Developer shall have good and marketable fee title to the Site and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and assessments not yet due and payable, the deeds of trust approved by the Authority and any other matters approved in writing by the Authority in its reasonable discretion.

3.6.5 Recordation and Priority of Authority Regulatory Agreement. The Authority Regulatory Agreement will be executed and recorded as an encumbrance against the Site before the liens of the Authority Loan and subordinate only to those liens permitted pursuant to Section 3.3.3.

3.6.6 Recordation of the Authority Deed of Trust. The Authority Deed of Trust shall have been recorded as a lien against the Site and subordinate only to those liens permitted pursuant to Section 3.3.3.

3.6.7 Title Policy. Concurrently with the recordation of the Authority Deed of Trust, the Title Company shall issue and deliver to the Authority an extended ALTA lender's policy of title insurance in an amount equal to the Authority Loan, together with such endorsements as requested by the Authority, insuring that fee simple title to the Site is vested in Developer and that the priority of the Authority Deed of Trust and the Authority Regulatory Agreement are consistent with Section 3.3.3. The Title Company shall provide Developer with copies of such title policy. The Title Company shall, if requested by the Authority, provide any extended coverage and any endorsements reasonably requested by the Authority (collectively, the "***Additional Endorsements***"). The Developer shall pay the cost of such title policies.

3.6.8 Construction Contracts. Developer shall have submitted to Authority and Authority shall have approved the Construction Contract entered into in connection with the development of the Project.

3.6.9 Construction Bonds; Completion Guaranty. Developer shall furnish Authority with a completion bond guaranteeing General Contractor's completion of the improvements for the Project free from liens of material men, contractors, subcontractors, mechanics, laborers, and other similar liens. Said bonds shall be issued by a responsible surety company, licensed to do business in California, and with a financial strength and credit rating reasonably acceptable to Authority and shall remain in effect until the entire costs for such Improvements shall have been paid in full. Any such bonds shall be in a form reasonably satisfactory to the Authority's legal counsel and the City Risk Manager. In lieu of the performance bonds, Developer may provide a letter of credit issued to Authority in the amount of not less than one hundred percent (100%) of the costs for the applicable Improvements, in a form and from a financial institution approved by Authority, which approval shall not be unreasonably withheld.

3.6.10 Environmental Compliance. All federal, state and local environmental requirements applicable to the Project, including without limitation, the National Environmental Policy Act of 1969, Public Law 91-190 as amended, 42 U.S.C. Sections 4321-4347 and the California Environmental Quality Act California Public Resources Code Section 21000, *et seq.*, have been satisfied.

3.6.11 Evidence of Eligible Project Costs. Developer shall have submitted to Authority paid invoices, receipts, canceled checks or other written documentation reasonably satisfactory to the Executive Director evidencing Developer's expenditure for Project Costs.

3.6.12 No Default. There shall exist no condition, event or act which would constitute an Event of Default by Developer (as defined in Section 7.1) hereunder or which, upon the giving of notice or the passage of time, or both, would constitute an Event of Default by Developer.

3.6.13 Representations and Warranties. All representations and warranties of Developer herein contained shall be true and correct in all material respects.

3.7 Conditions Precedent to Disbursement of Retention

Upon satisfaction or waiver of the conditions precedent set forth below, as reasonably determined by the Executive Director, Authority shall disburse the Retention.

No disbursement of the Loan Proceeds shall be made for the Retention until all of the following conditions precedent have been satisfied (as determined by Authority in its reasonable discretion) or waived:

3.7.1 Compliance With Previous Conditions. Developer shall be in compliance with the conditions precedent to disbursement of the Loan Proceeds set forth in Section 3.6.

3.7.2 Completion of Construction. The construction of the Project shall be complete. The construction of the Project shall be considered complete for purposes of this Agreement only when (a) the construction of the Improvements has been completed substantially in accordance with the Plans and has been fully paid for, or will be fully paid for upon reimbursement of the retention and is lien free, all work requiring inspection or certification by any governmental agency has been completed and all requisite certificates, approvals and other necessary authorizations have been obtained (including, without limitation, temporary certificate(s) of occupancy for the Improvements which shall be subject only to conditions reasonably acceptable to Authority), and (c) streets and offsite utilities located within or pertaining to the Project have been completed to the reasonable satisfaction of all applicable authorities.

(a) Any portion of the Project requiring inspection or certification by any governmental agency shall have been inspected and certified as complete, a final certificate of occupancy shall have been issued covering the Project and all other necessary

approvals, licenses, exemptions and other authorizations of governmental agencies shall have been duly obtained.

(b) At least one of the following shall have occurred:

(i) 35 days shall have passed since the recording of a valid notice of completion for the construction of the Project and no mechanic's or materialman's lien shall be outstanding; or

(ii) 95 days shall have passed since actual completion of the construction of the Project and no mechanic's or materialman's lien shall be outstanding; or

(iii) Authority shall be satisfied that no mechanic's or materialman's lien will impair its interest in the Site, Authority hereby agrees to consider that a CLTA Form No. 101.1 Endorsement to the Title Policy, in form and substance reasonably satisfactory to Authority, may satisfy the requirement of this subparagraph (iii).

(c) Authority shall be reasonably satisfied that the Project was completed in accordance with all applicable Governmental Regulations in all material respects, including, without limitation, all laws described in any Prevailing Wage Clause.

(d) All requirements for release of retention set forth in this Agreement have been met.

(e) Authority has issued and Developer has recorded a Release of Construction Covenants.

3.8 Other Sources of Financing.

3.8.1 Construction Loan. Developer shall obtain funds by way of the Construction Loan. The terms and provisions of the Construction Loan shall be similar to ordinary and customary provisions of construction lenders on loans similar to the Construction Loan. The Construction Loan shall provide for normal and customary disbursement controls, the payment of normal and customary fees and expenses for a loan of similar size and purpose, and for the payment of other expenses contained in the Project Budget. Documentation for the Construction Loan shall be subject to the review of the Authority. The Construction Loan shall have the terms and conditions generally available to Developer in the market place and more specifically shall be:

(a) an approximate original principal amount (not including interest that may accrue thereon) as set forth in the Project Budget;

(b) the term of the Construction Loan shall be for at least twelve (12) months (exclusive of the Lender's right to accelerate the maturity in the event of a default);

(c) the Construction Loan shall be secured by a lien on the Site, which lien shall be in the form and substance as reasonably required by the Construction Lender; and

(d) the Construction Loan shall have such other customary and normal terms and conditions as are reasonably required by lender making the Construction Loan.

3.8.2 Permanent Loan. Developer shall obtain funds by way of the Permanent Loan. The terms and provisions of the Permanent Loan shall be similar to ordinary and customary provisions of construction lenders on loans similar to the Permanent Loan. Documentation for the Permanent Loan shall be subject to the review of the Authority.

3.8.3 Tax Credits. Developer anticipates an award from TCAC of Tax Credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*, for the Project. The Developer anticipates the Tax Credits syndication proceeds will be in an approximate amount set forth in the Project Budget. The Parties acknowledge that in order to receive the allocation of Tax Credits for the Project, the Developer must satisfy certain conditions established by TCAC and must subject the Site to certain covenants and restrictions pursuant thereto as set forth in that the Tax Credit Regulatory Agreement to be recorded against the Site. The Developer will make an attempt to submit applications for at least three (3) rounds if applying for 9% Tax Credits.

3.8.4 Developer Financing. Developer's partners may provide financing to the Project. In the event that such developer financing is utilized, interest and fees shall not exceed reasonable and customary interest and fees for similar commercial loans.

3.8.5 Additional Sources of Financing. The Developer and the Authority agree to work together to obtain additional sources of financing for unfunded budgeted project costs, if any, and/or reduce the total amount of the Authority Loan. Developer agrees to exercise diligent efforts to identify and obtain additional sources of financing. If and to the extent that the Parties successfully obtain additional sources of financing, such funds shall be allocated first to fund Project Costs, if any, in excess of the costs identified in the final Project Budget, and second 50% to payment of deferred developer fee and 50% to reduce the amount of the Authority Loan.

3.9 Obligation to Update Project Budget.

Developer shall update the Project Budget in the event of a proposed material change to the Project Budget. In the event of a proposed material change to the Project Budget, Developer shall notify Authority in writing of the nature of the proposed change, including a detailed description of the effect of such change, and submit a revised, pro forma Project Budget reflecting such change to Authority. Authority shall have the right to approve such change prior to Developer taking any action in furtherance of such change.

4. DEVELOPMENT OF THE SITE

4.1 Scope of Work.

The Developer shall construct the Project substantially in accordance with the attached Project Development (Attachment No. 3), applicable Governmental Regulations, including (without limitation) all applicable zoning, planning and design review requirements of the City and all permits and entitlements issued for the Project. Pursuant to Section 4.2, the Developer shall, by the respective times established therefor in the Schedule of Performance, obtain the necessary permits, or permit ready letter, and commence and complete (or cause to be commenced and completed) the improvements on the Site and construction of the Project.

Project construction may be phased. Notwithstanding the foregoing, the Project shall be completed by the time established therefor in the Schedule of Performance.

4.2 Permits and Entitlements.

Before commencement of the Project or other works of improvement upon the Site, the Developer shall, at its own expense, secure or cause to be secured any and all permits, entitlements or approvals which may be required by the City in accordance with its Municipal Code and land use entitlement process and by any other governmental entity with jurisdiction over the Site and/or the Project in accordance with applicable Governmental Regulations. Such expenses shall be deemed Project Costs. The Authority shall reasonably cooperate and assist Developer's efforts to comply with this Section 4.2; provided, however that the execution of this Agreement does not constitute the granting of or a commitment to obtain any required land use entitlements or approvals required by the Authority or the City.

4.3 Defects in Plans.

Neither the City nor the Authority shall be responsible to the Developer or to third parties in any way for any defects in the design of the Project, nor for any structural or other defects in any work done according to the approved design of the Project, nor for any delays reasonably caused by the review and approval processes established by this Section 4.3. The Developer shall hold harmless, indemnify and defend the City and the Authority and their respective officers, employees, agents and representatives from and against any claims, suits for damages to property or injuries to persons arising out of or in any way relating to defects in the design of the Project, including (without limitation) the violation of any laws, and for defects in any work.

4.4 Merger of Parcels.

In accordance with applicable requirements of the Subdivision Map Act, Government Code Section 66410, *et seq.*, and the City's applicable subdivision ordinance, the Developer shall cause the individual parcels comprising the Site to be merged into a single legal parcel or as few legal parcels as is feasible by the date established in the Schedule of Performance.

Such merger shall ensure that the Site is comprised of legal insurable parcel(s) sufficient to allow development and operation of the Project.

4.5 Demolition and Clearance of the Site.

After the expiration of the Developer's Approval Period, the Developer shall perform any demolition, clearance or preparation of the Site, or any remediation thereon, necessary for the Project. The Developer shall carry out or cause to be carried out the demolition and Site clearance in compliance with all applicable Federal, State and local laws, regulations and enactments, including, without limitation, obtaining building or demolition permits, as required, and inspection for and removal as required of asbestos.

4.6 Construction of the Project.

The cost of planning, designing, developing the Project, and any demolition and removal of any existing structure or Site improvements, Site remediation and Site preparation costs, shall be deemed eligible Project Costs.

Developer may act as the general contractor. Developer shall have submitted to Authority, and Authority shall have approved the proposed contractor/subcontractor bidding procedures and the proposed form of the contract to be entered into with the contractor and/or subcontractors. All such contracts shall be entered into with a duly licensed and insured contractor or subcontractors, and Developer shall comply, to the extent practicable subject to the availability of labor of comparable quality and skill, and the availability of materials of comparable cost and quality, with Health and Safety Code Section 33422.1 and 33422.3.

4.7 Design.

The Developer assumes the responsibility for the design and construction of and shall let contracts for (or cause contracts to be let for) the Project. All additional costs incurred for any reason in constructing the Project shall be at the sole cost and expense of the Developer. The Developer assumes all obligation for ensuring conformity with all applicable Federal, State and local nondiscrimination, labor standards, prevailing wage rate requirements and competitive bidding requirements to the extent applicable to the Project.

4.8 Construction Schedule.

Subject to Section 4.1, the Developer shall commence and complete all development activities within the times established therefor in the Schedule of Performance (Attachment No. 4).

4.9 Bodily Injury and Property Damage Insurance: Indemnity.

4.9.1 Insurance.

The Developer shall maintain or shall cause its contractor(s) to maintain until the completion of the Project as determined by the Authority pursuant to Section 6.2 insurance in accordance with the Authority's uniform insurance requirements or as otherwise approved in writing by the Executive Director.

The obligations set forth in this Section 4.9.1 shall remain in effect only until a Release of Construction Covenants has been furnished to the Developer as provided in Section 4.17.

4.10 Other Governmental Authority Permits and Environmental Compliance.

Before commencement of demolition activities or construction or other works of improvement upon the Site, the Developer shall, at its own expense, secure or cause to be secured any and all land use and other entitlements or approvals, if any, which may be required by any other governmental agency affected by such construction or work.

The parties acknowledge and agree the California Environmental Quality Act, Public Resources Code Section 21000, *et seq.* ("**CEQA**") may become applicable to the Project as a result of processing Developer's entitlement requests if so required. Pursuant to CEQA, certain environmental documents may be required to be prepared. The Developer agrees to cooperate with the City in obtaining information to determine environmental impact associated with such entitlements. The Developer shall be responsible to pay all costs incurred by the City to prepare or cause to be prepared such environmental documents with respect to any land use entitlements affecting the Site and to comply with any required mitigation measures imposed pursuant thereto.

Should the CEQA reviews reveal environmental impacts from the Project which cannot be sufficiently mitigated, Developer, Authority shall then negotiate in good faith to restructure the Project in a manner that may reduce the environmental impacts of the projects.

4.11 Rights of Access.

Prior to the issuance of a Release of Construction Covenants (as specified in Section 4.17), for purposes of assuring compliance with this Agreement, representatives of the Authority shall have the right of access to the Site, without charges or fees, at normal construction hours and, except in emergency situations, upon at least 48 hours' advance notice during the period of construction for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed in constructing the Project so long as Authority representatives comply with all safety rules. Authority representatives shall notify the Developer prior to exercising its rights pursuant to this Section 4.11.

4.12 Federal, State and Local Laws.

4.12.1 Labor Standards. Developer shall carry out the Project in conformance with all applicable laws, including any and all applicable federal and state labor standards.

4.12.2 General. Developer shall comply with all applicable Governmental Regulations in the construction, use and operation of the Project, including all applicable federal, state and local statutes, ordinances, regulations and laws, including, without limitation, all applicable federal, state, and local labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the Riverside Municipal Code, and all applicable disabled and handicapped access requirements, including, without limitation, the Americans With Disabilities Act, 42 U.S.C. § 12101, *et seq.*, Government Code § 4450, *et seq.*, and Government Code § 11135, *et seq.*

4.13 Nondiscrimination During Construction.

The Developer, for itself and its successors and assigns, agrees that, in the construction of the Project provided for in this Agreement, the Developer will not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, national origin or ancestry.

4.14 Taxes and Assessments.

The Developer shall pay prior to delinquency all applicable ad valorem real estate taxes and assessments on the Site during Developer's ownership thereof, subject to the Developer's right to contest in good faith any such taxes. The Developer shall remove or have removed any levy or attachment made on the Site or any part thereof, or assures the satisfaction thereof within a reasonable time.

4.15 Liens and Stop Notices.

The Developer shall not allow to be placed on the Site or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Project, the Developer shall within thirty (30) days of such recording or service or within five (5) days of the Authority's demand, whichever last occurs:

- (a) pay and discharge the same; or
- (b) effect the release thereof by recording and delivering to the Authority a surety bond in sufficient form and amount, or otherwise; or
- (c) provide such other assurances which the Authority deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of Authority from the effect of such lien or bonded stop notice.

4.16 Mortgage Deed of Trust. Sale and Lease-Back Financing; Rights of Holders.

4.16.1 No Encumbrances Except Mortgages, Deeds of Trust. Construction Mortgages, deeds of trust, sales and leases-back shall be permitted before completion of the Project, but only for the purpose of securing loans of funds to be used for financing the Project, and any other purposes necessary for the construction of the Project, and necessary and appropriate under this Agreement. The Developer shall notify the Authority in advance of any mortgage, deed of trust or sale and lease-back financing, if the Developer proposes to enter into the same before completion of the Project. Notwithstanding any contrary provision contained herein, the Authority's approval shall not be required for any financing after the issuance of a Release of Construction Covenants for the Project as specified in Section 4.17.

4.16.2 Holder Not Obligated to Construct Improvements. The holder of any mortgage or deed of trust authorized by this Agreement shall not be obligated by the provisions of this Agreement to construct or complete the Project or to guarantee such construction or completion. Nothing in this Agreement shall be deemed to construe, permit or authorize any such holder to devote the Site to any uses or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

4.16.3 Notice of Default to Mortgagee or Deed of Trust Holders. Right to Cure Whenever the Authority delivers any notice or demand to Developer with respect to any breach or default by the Developer in completion of the Project and the Developer fails to cure or commence to cure to the Authority's satisfaction within sixty (60) days from the date of such notice, the Authority shall at the same time deliver to each holder of record of any mortgage or deed of trust authorized by this Agreement and granted by Developer, a copy of such notice or demand. Except as otherwise agreed to in the Subordination Agreement with a senior lender, each such holder shall (insofar as the rights granted by the Authority are concerned) have the right, at its option, within sixty (60) days after the receipt of the notice, to cure or remedy or commence to cure or remedy and diligently prosecute such cure or remedy to completion any such default and to add the cost thereof to the mortgage debt and the lien of its mortgage. Written notice of such holder's intention to cure Developer's default shall be deemed to be commencement of cure. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the Project (beyond the extent necessary to conserve or protect the improvements or construction already made) without first having expressly assumed the Developer's obligations under this Agreement by written agreement satisfactory to the Authority. The holder, in that event, must agree to complete, in the manner provided in this Agreement, the Project to which the lien or title of such holder relates, and submit evidence satisfactory to the Authority that it has the qualifications and financial responsibility necessary to perform such obligations. Any such holder properly completing the Project shall be entitled, upon compliance with the requirements of this Agreement, to a Release of Construction Covenants as specified in Section 4.17.

4.16.4 Failure of Holder to Complete Project. Except as otherwise agreed to in the Subordination Agreement with a senior lender, in any case where, thirty (30) days after the holder of any mortgage or deed of trust creating a lien or encumbrance upon the Site or any

part thereof receives notice of default by the Developer in connection with the construction of the Project under this Agreement, and such holder has not exercised the option to construct as set forth in Section 4.16.2, or if it has exercised the option and has not proceeded diligently with construction, or to obtain title after institution of foreclosure or trustee's sale proceedings, the Authority may purchase the mortgage or deed of trust by payment to the holder of the amount of the unpaid mortgage or deed of trust debt, including principal and interest and all other sums secured by the mortgage or deed of trust. If the ownership of the Site or any part thereof has vested in the holder by virtue of a deed in lieu of foreclosure, the Authority, if it so desires, shall be entitled to a conveyance from the holder to the Authority, upon payment to the holder of an amount equal to the sum of the following items (i) through (v) less any income derived by the lender from operations conducted on the Site (the receipt of principal and interest payments in the ordinary course of business shall not constitute income for the purposes of this Section):

(i) The unpaid mortgage or deed of trust debt at the time title became vested in the holder (less all appropriate credits, including those resulting from collection and application of rentals and other income received during foreclosure proceedings);

(ii) All expenses with respect to foreclosure;

(iii) The net expense, if any (exclusive of general overhead), incurred by the holder as a direct result of the subsequent management of the Project or part thereof,

(iv) The costs of any improvements made by such holder; and

(v) 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 or deed of trust debt and such debt had continued in existence to the date of payment by the Authority.

4.16.5 Right of the Authority to Cure Mortgage or Deed of Trust Default.

Except as otherwise agreed to in the Subordination Agreement with a senior lender, in the event of a mortgage or deed of trust default or breach by the Developer past any applicable notice and cure period and prior to the issuance by the Authority of the Release of Construction Covenants in accordance with Section 4.17, the Developer shall immediately deliver to the Authority a copy of any mortgage holder's notice of default. If the holder of any mortgage or deed of trust has not exercised its option to construct, the Authority shall have the right, but not the obligation to cure the default. In such event, the Authority shall be entitled to reimbursement from the Developer of all proper costs and expenses incurred by the Authority in curing such default. Such costs and expenses incurred by the Authority shall accrue interest until paid by the Developer at the rate of ten percent (10%) per annum or the maximum allowable interest rate permitted by applicable law, whichever is lower. Such costs and expenses and any interest accrued thereon shall be secured as additional advances by and pursuant to the Deed of Trust and the Assignment of Rents.

In furtherance of this Section 4.16.5, every subordination agreement entered into by and between the Authority and a senior lien holder pursuant to Section 3.3.3 shall

include an acknowledgment and agreement by the senior lien holder to provide notice of Developer's default to the Authority.

4.16.6 Right of the Authority to Satisfy Other Liens on the Site. Subject to the rights of any senior lender, prior to the issuance by the Authority of the Release of Construction Covenants in accordance with Section 4.17 and after the Developer has had written notice and has failed after a reasonable time (but in any event not less than thirty (30) days) to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Site which are not otherwise permitted under this Agreement, the Authority shall have the right (but not the obligation) to satisfy any such liens or encumbrances. The costs and expenses of such cure shall accrue interest until paid by the Developer at the rate of ten percent (10%) per annum or the maximum allowable interest rate provided by applicable law, whichever is lower. Such costs and expenses and any interest accrued thereon shall be secured as additional advances by and pursuant to the Deed of Trust and the Assignment of Rents.

4.17 Release of Construction Covenants.

Within thirty (30) days of completion of the Project in conformity with this Agreement, the Authority shall furnish the Developer with a "Release of Construction Covenants" upon written request therefor by the Developer. The Authority shall not unreasonably withhold such Release of Construction Covenants. The Release of Construction Covenants shall be substantially in the form of the "Release of Construction Covenants" (Attachment No. 11). The Release of Construction Covenants shall be a conclusive determination of satisfactory completion of the Project and the Release of Construction Covenants shall so state. Except as provided in the Authority Regulatory Agreement, 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 except for those continuing covenants as set forth in Section 6, *et seq.*

If the Authority refuses or fails to furnish the Release of Construction Covenants within thirty (30) days of completion, the Authority shall within ten (10) days of written request therefor, provide the Developer with a written statement of the reasons the Authority refused or failed to furnish the Release of Construction Covenants. The statement shall also contain the Authority's opinion of the actions the Developer must take to obtain the Release of Construction Covenants. If the Authority shall have failed to provide such written statement within said ten (10) day period, and on the condition that the City has issued a certificate of occupancy or equivalent document for the Project, the Project shall thereafter be deemed approved by the Authority and the Authority shall promptly issue the Release of Construction Covenants.

The Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of the Developer to any holder of any mortgage, or any insurer of a mortgage securing money loaned to finance the Project, or any part thereof. The Release of Construction Covenants is not a notice of completion as referred to in Section 3093 of the California Civil Code.

5. COVENANTS AND RESTRICTIONS

5.1 Use Covenants.

Developer covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof, that upon the acquisition of the Site comprising the Site and during construction and thereafter, the Developer shall devote the Site to the uses specified in the Authority Regulatory Agreement. All uses conducted on the Site, including, without limitation, all activities undertaken by the Developer pursuant to this Agreement, shall conform to all applicable provisions of the Riverside Municipal Code.

5.2 Affordable Housing Requirements.

5.2.1 Number of Units. Developer agrees to make available, restrict occupancy to, and rent at an Affordable Rent fifty (50) of the Affordable Units to Qualified Low Income Households which are comprised of twenty-two (22) one-bedroom Units, sixteen (16) two-bedroom Units, twelve (12) three-bedroom Units; and twenty-one (21) of the Affordable Units to Very Low Income Households which are comprised of eight (8) one-bedroom Units, seven (7) two-bedroom Units, and six (6) three bedroom Units. One (1) Unit shall be reserved for occupancy by on-site management.

5.2.2 Duration of Affordability Requirements. The Affordable Units shall be subject to the requirements of Section 5.2 throughout the Affordability Period.

5.2.3 Selection of Tenants. Developer shall be responsible for the selection of tenants for the Affordable Units in compliance with lawful and reasonable criteria, and in accordance with the procedures set forth in the Management Plan which shall be submitted to the Authority for approval pursuant to Section 5.7. To the extent permitted by law, preference shall be given to tenant applicants who have been displaced by redevelopment activities of the Authority in connection with this Project and in the implementation of the former Agency's Redevelopment Plans. In addition, and to the extent legally allowable and permitted under the Tax Credit Rules, preference shall also be given to tenant applicants residing in the City.

5.2.4 Household Income Requirements. In order to assure compliance with the rent and occupancy restrictions set forth in this Agreement and the Authority Regulatory Agreement, the Developer shall, prior to the initial leasing of a Unit and on an annual basis thereafter throughout the Affordability Period, obtain and cause to be submitted to the Authority, at Developer's expense, a verification of all household sources of income demonstrating that such household is (i) a Qualified Low Income Household or (ii) a Very Low Income Household, as applicable, and meets the eligibility requirements established for the Unit. Such income verification shall be submitted on such form as prepared and submitted in accordance with the Tax Credit Rules or such other form approved by the Authority.

5.2.5 Annual Reporting Requirement.

In order to satisfy the monitoring requirements of the Authority and the Developer under Section 33418 of the Community Redevelopment Law, as the same may be amended from time to time, the Developer shall, following the issuance of the Release of Construction Covenants, and on or before June 30 of each year, submit to the Authority a certification of compliance with the terms and conditions of this Agreement and the Authority Regulatory Agreement and such other reports as required thereby on forms provided by the Authority. Each annual report shall cover the immediately preceding fiscal year. Developer further agrees to provide true and accurate copies of all required reports, audits and compliance forms prepared in accordance with applicable Tax Credit Rules upon request.

Additionally, Developer shall determine and submit a report to the Authority showing the proposed Affordable Rent amount for each Unit for the preceding 12 months with supporting documentation comparing the methods for calculating Affordable Rent as set forth in Section 1.1.

5.2.6 Relationship to Tax Credit Requirements. Satisfaction of any other affordability covenants applicable to the Project shall not constitute substitute satisfaction of the requirements set forth in the Authority Regulatory Agreement.

5.3 Lease Requirements.

Prior to rental of any of the Affordable Units, the Developer shall submit a standard lease form to the Authority for the Authority's approval, which approval shall not unreasonably be withheld, conditioned or delayed. The Developer shall enter into a lease, in the form approved by the Authority with each tenant of a Unit.

5.4 Capital Replacement Reserve.

The Developer shall, or shall cause the Property Manager to, set aside the greater of (a) an amount equal to Two Hundred Fifty Dollars (\$250.00) per Unit per year or (b) the minimum amount required by TCAC into a separate interest-bearing trust account held by the Developer (the "***Capital Replacement Reserve***"). The amount required to be placed into the Capital Replacement Reserve shall increase at the rate determined by the Permanent Lender or Investor. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Project fixtures and equipment which are normally capitalized under generally accepted accounting principles. Interest on funds in the Capital Replacement Reserve shall remain in the Capital Replacement Reserve. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Developer, at its expense, shall submit to the Authority an accounting for the Capital Replacement Reserve. Authority approval is not required for withdrawals from the Capital Replacement Reserve in accordance with this Agreement.

5.5 Operating Reserve.

Developer shall, or shall cause the Property Manager to, set aside at the time the Release of Construction Covenants is recorded in a separate interest-bearing trust account held by the Developer with an initial amount equal to three (3) months of the projected annual Operating Expenses for the Development or in such lesser amount as allowed by the senior lender or investor (the “***Operating Reserve***”). Interest earned on funds in the Operating Reserve shall remain in the Operating Reserve. Developer may withdraw from the Operating Reserve those amounts exceeding the current year budget for operating expenses. Authority approval is not necessary for withdrawals made in accordance with this Agreement. Funds may be disbursed from the Operating Reserve to cover shortfalls between the income and actual Operating Expenses and Debt Service of the Development. Upon making disbursements to cover operating shortfalls, the Operating Reserve shall be replenished to the level prior to the disbursement from available Project cash flow unless such replenishment is not required by the senior lender or investor.

5.6 Marketing Plan.

By the time specified therefor in the Schedule of Performance, Developer shall submit for the approval of the Authority, which approval shall not unreasonably be withheld, a plan for marketing the rental of the Affordable Units (the “***Marketing Plan***”). The Marketing Plan shall include affirmative marketing procedures and requirements consistent with the provisions of Section 5.A. of the Authority Regulatory Agreement. The Marketing Plan shall include a plan for publicizing the availability of the Affordable Units within the City in a manner which gives notice to existing residents, such as notices in any City sponsored newsletter, newspaper advertising in local newspapers and notices in City offices and community centers. The Marketing Plan shall require Developer to obtain from the Authority the names of Qualified Households who have been displaced by the Project and other persons who have indicated to the Authority their interest in the Affordable Units, and to notify persons on such list of availability of units in the Project prior to undertaking other forms of marketing. The Marketing Plan shall provide that the persons on such list be given not fewer than ten (10) days after receipt of such notice to respond by completing application forms for rental of Affordable Units, as applicable.

5.7 Long Term Management.

The parties acknowledge that the Authority is interested in the long-term management and operation of the Project and in the qualifications of any person or entity retained by the Developer for that purpose (the “***Property Manager***”). Prior to the issuance of a Release of Construction Covenants by the Authority and the initial rental of the Affordable Units in accordance with this Agreement, the Developer shall submit for the reasonable approval of the Authority a detailed “Management Plan” which sets forth in detail the duties of the Property Manager, the tenant selection process, a security system and compliance with the City’s Crime-Free Multi-Family Housing Program, the procedures for determining Affordable Rent and for the collection of rent, occupancy limits and the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Project and manner of enforcement, a standard lease form, and other matters relevant to the management of the Project. The Developer may from time to time submit amendments and modifications to the Management

Plan for the reasonable approval of the Authority. The management of the Project shall be in compliance with the Management Plan that is approved by the Authority.

The Developer shall, prior to the rental of the first Unit, contract with a Property Manager, subject to the reasonable approval of the Authority. During the term of the Affordability Period, such Property Manager may subcontract for property management services with an experienced and qualified property management entity (based upon the criteria set forth herein below) only upon prior written approval by the Authority which approval shall not be unreasonably withheld.

During the Affordability Period, the Authority may from time to time review and evaluate the identity and performance of the Property Manager of the Project as it deems appropriate in its reasonable judgment. If the Authority reasonably determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the Authority shall provide notice to the Developer of such deficiencies and the Developer shall use its best efforts to correct such deficiencies within 60 days. Upon default of the terms of this Agreement by the Property Manager, the Authority shall have the right to require the Developer to immediately remove and replace the Property Manager with another property manager or property management company who is reasonably acceptable to the Authority, and who has not less than five (5) years' experience in property management, including experience managing multifamily residential developments of the size, quality and scope of the Project. If the entity removed is related to or affiliated with the Developer, the Authority may require that the Property Manager be replaced with another entity that is not related to or affiliated with the Developer.

In addition, during the term of the Affordability Period, the Developer shall annually submit to the Authority for its reasonable approval a budget for the operation of the Project. The fee paid to Property Manager shall not exceed the reasonable and customary fees paid to such property managers for similar rental properties in Riverside County. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Developer shall ensure that the reasonably foreseeable expenses of operating the Project do not materially exceed the budget which has been approved by the Authority. The Developer shall annually provide to the Authority a detailed accounting of operating expenses and shall make available its books and records to the Authority for inspection and copying, upon reasonable advance notice during its normal hours of business.

5.8 Authority Regulatory Agreement.

The Developer shall execute, acknowledge, and deliver to Authority the Authority Regulatory Agreement to be recorded with respect to the Site in the official records of Riverside County. The Authority Regulatory Agreement shall contain those portions of this Agreement relating to affordable housing requirements, and other provisions which are intended to survive the completion of construction of the Project.

5.9 Maintenance of Site.

During construction of the Project and throughout the Affordability Period, the Developer shall maintain the Site and the improvements thereon in conformity with the Authority Regulatory Agreement in all material respects.

5.10 Nondiscrimination Covenants.

Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site, or any part of it, nor shall the Developer or any person claiming under or through it, establish or permit any 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 Site, including the Units, or any portion thereof. The foregoing covenants shall run with the land.

Notwithstanding the foregoing paragraph, with respect to familial status, the foregoing paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the foregoing paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the foregoing paragraph.

Developer shall refrain from restricting the sale of the Site, including the Units, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code. All such deeds, leases, contracts or subcontracts shall contain or be subject to substantially the following nondiscrimination and nonsegregation clauses:

(a) In deeds: “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 any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any 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 premises herein conveyed. The foregoing covenants shall run with the land.”

(b) Notwithstanding the foregoing paragraph, with respect to familial status, the foregoing paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the foregoing paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the foregoing paragraph.

(c) In leases: “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 any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, 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.”

(d) Notwithstanding the foregoing paragraph, with respect to familial status, the foregoing paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the foregoing paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the foregoing paragraph.

(e) In contracts: “There shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in connection with the performance of this contract nor shall the contracting party himself or herself 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, contractors, subcontractors or vendees with respect to the premises.”

Notwithstanding the foregoing paragraph, with respect to familial status, the foregoing paragraph shall not be construed to apply to housing for older persons, as defined in Section 12955.9 of the Government Code. With respect to familial status, nothing in the foregoing paragraph shall be construed to affect Sections 51.2, 51.3, 51.4, 51.10, 51.11, and 799.5 of the Civil Code, relating to housing for senior citizens. Subdivision (d) of Section 51 and Section 1360 of the Civil Code and subdivisions (n), (o), and (p) of Section 12955 of the Government Code shall apply to the foregoing paragraph.

5.11 Effect of Violation of the Terms and Provisions of this Agreement After Completion of Construction.

The Authority is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land, for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided, without regard to whether the Authority has been, remains or is an owner of any land or interest therein in the Site. The Authority shall have the right, if this Agreement or any covenants in any agreement pursuant to this Agreement, or the Authority Regulatory Agreement, are breached, following notice and expiration of all applicable cure periods, 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 or any other beneficiaries of this Agreement and such covenants may be entitled.

6. INDEMNITY AND INSURANCE

6.1 Developer's Indemnity.

To the full extent permitted by law, Developer shall indemnify, defend and hold harmless the Authority, and any and all of its employees, officials and agents (the "*Indemnitees*") from and against any liability (including liability for claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses or cost of any kind, whether actual, alleged or threatened, including reasonable attorneys' fees and costs, court costs, interest or defense costs, including expert witness fees), where the same arise out of: (i) Developer's failure to comply with all applicable laws; (ii) defects in the design of the Project as to all or any portion of the Project developed or caused to be developed by Developer, or (iii) any grossly negligent performance or act or grossly negligent failure to perform or act pursuant to this Agreement by Developer, or by any individual or entity that Developer shall bear the legal liability thereof, including, but not limited to, officers, agents, or employees of Developer.

Without affecting the rights of Indemnitees under any provisions of this Agreement, Developer shall not be required to indemnify and hold harmless Indemnitees for liability attributable to the active negligence or willful misconduct of Indemnitees.

Failure of Indemnitees to monitor compliance with these requirements imposes no additional obligations on Indemnitees and will in no way act as a waiver of any rights hereunder. This obligation to indemnify and defend Indemnitees as set forth here is binding on the successors, assigns or heirs of Developer and shall survive the termination of this Agreement.

This indemnification provision supplements and in no way limits the scope of any the indemnification set out elsewhere in this Agreement. The indemnity obligation of Developer under this Section shall survive the expiration or termination, for any reason, of this Agreement.

6.2 Insurance.

Prior to the commencement of any work of improvement upon the Site and without limiting Developer's indemnity obligations set forth in the Agreement, Developer shall procure and maintain in full force during the term of this Agreement, the following forms of insurance coverage:

(a) Workers' Compensation insurance which complies with all applicable state laws and requirements.

(b) Comprehensive General Liability insurance with limits not less than One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) general aggregate for bodily injury and property damage, including coverages for contractual liability, personal injury, broad form property damage, products and completed operations. The insurance company providing the insurance shall be at least an A rating and a financial class of at least VII.

(c) Property insurance covering all real and personal (non-expendable) property leased or purchased in connection with the completion of the Project in a form appropriate for the nature of such property, covering all risks of loss, excluding earthquake and flood, for 100% of the replacement value, with deductible, if any, acceptable to the Authority, naming the Authority as loss payee.

(d) Developer shall cause the general contractor to maintain insurance of the types and in at least the minimum amounts described in subsections a. and b. above, and shall require that such insurance shall meet all of the general requirements of subsections e., f., and g. below. Unless waived by Authority, liability insurance to be maintained by the general contractors pursuant to this subsection shall name the Authority as an additional insured, and its officers, agents, employees and representatives.

(e) The required insurance shall be provided under an occurrence form, and Developer shall maintain such coverage continuously throughout the term of this Agreement. Should any of the required insurance be provided under a form of coverage that includes an annual aggregate limit or provides that claims investigation or legal defense costs be included in such annual aggregate limit, such annual aggregate limit shall be three times the occurrence limits specified above.

(f) Each insurance policy required by this Agreement shall contain the following clauses:

(1) "This insurance shall not be canceled, limited in scope or coverage, or non-renewed until after thirty (30) days' prior written notice has been given to the Housing Authority of the City of Riverside."

(2) "It is agreed that the Housing Authority of the City of Riverside is self-insured and any insurance maintained by them shall apply in excess of and not concurrent with insurance provided by this policy."

(3) “The Housing Authority of the City of Riverside and its officers, agents, employees, representatives and volunteers are added as additional insureds with respect to operations and activities of, or on behalf of the named insured, performed under contract with the Housing Authority of the City of Riverside.”

(g) Prior to the disbursement of any portion of the Loan Proceeds, Developer shall deliver to Authority insurance endorsements evidencing the existence of the insurance policies required by this Agreement, and including the applicable clauses referenced above.

(h) In addition to any other remedies the Authority may have if Developer fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, Authority may at its sole option:

(1) Obtain such insurance and deduct and retain the amount of the premiums for such insurance from the Loan Proceeds.

(2) Withhold any disbursement of the Loan Proceeds until Developer demonstrates compliance with the requirements hereof.

(3) In the event Developer has failed to commence curing such default within thirty (30) days of notice or thereafter fails to diligently pursue such cure, declare Developer to be in default, terminate this Agreement and declare that reimbursement of the Loan Proceeds is due and payable.

(4) Exercise of any of the above remedies shall not be deemed the exclusive remedy for Developer’s failure to maintain insurance or secure appropriate endorsements. Nothing herein contained shall be construed as limiting in any way the extent to which Developer may be held responsible for payments of damages to persons or property resulting from Developer’s performance of the work covered under this Agreement.

7. DEFAULTS, REMEDIES AND TERMINATION

7.1 Defaults – General.

Subject to the extensions of time set forth below in this Section 7.1, failure or delay by either party to substantially perform, comply with or observe any of the conditions, provisions, terms, covenants or representations of this Agreement, including any of the Attachments hereto, and also including the failure to go forward with the Project, constitutes a default under this Agreement. As provided herein below, the party who so fails or delays must immediately commence to cure, correct or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the date of default.

Except as required to protect against further damages, the injured party may not institute legal proceedings against the party in default until an “Event of Default” (as such term is hereinafter defined) has occurred. For purposes of this Agreement, an “Event of Default” for purposes of instituting legal proceedings by a non-defaulting party against the defaulting party shall mean a failure to satisfy, perform, comply with or observe any of the conditions, provisions, terms, covenants or representations contained in this Agreement, including any Attachment hereto, and such failure having continued uncured or without the defaulting party commencing to diligently cure such default for a period of thirty (30) days after notice thereof in writing is mailed by the injured party to the defaulting party; provided, however, that if such event of default is of the nature that cannot be cured within such thirty (30) day period and the defaulting party has diligently commenced efforts to cure, such party shall have such reasonable time to diligently prosecute such cure to completion. If a different period or notice requirement is specified for any particular default under any other provision of this Agreement, including any of the Attachments hereto, the specific provision shall control.

7.2 Legal Actions.

7.2.1 Institution of Legal Actions. In addition to any other rights or remedies and subject to the restrictions otherwise set forth in this Agreement, either party may institute an action at law or equity to cure, correct or remedy any Event of Default, to recover damages as provided herein for any Event of Default, or to obtain any other remedy consistent with the purpose of this Agreement, subject to the nonrecourse nature of the loans after recordation of the Release of Construction Covenants. This legal action include the foreclosure of the Authority Deed of Trust for any default under this Agreement. Such legal actions may be instituted in the Superior Court of the County of Riverside, State of California.

7.2.2 Acceptance of Service of Process.

In the event that any legal action is commenced by Developer against Authority, service of process on Authority shall be made by personal service upon the Authority’s Secretary, or in such other manner as may be provided by law.

In the event that any legal action is commenced by Authority against Developer, service of process on Developer shall be made by personal service upon any owner, general partner, officer or manager of Developer or in such other manner as may be provided by law, whether made within or without the State of California.

7.3 Specific Performance.

Upon an Event of Default, the non-defaulting party, at its option, may thereafter (but not before) commence an action seeking specific performance and/or other equitable relief to enforce the terms of this Agreement pertaining to such default.

7.4 Rights of Termination and Damages.

7.4.1 Termination by Developer. Provided the Developer is not in default of any of the terms and conditions of this Agreement, then in the Event of Default by the Authority, the Developer shall have the right to terminate this Agreement by written notice to Authority in accordance with the provisions of Section 8.1 and shall be reimbursed for all reasonable costs incurred prior to the termination. Upon termination by the Developer pursuant to this Section 7.4.1, except as expressly provided to the contrary herein with respect to obligations that survive the termination of this Agreement, there shall be no further rights or obligations between the Authority and the Developer.

7.4.2 Termination by Authority. Provided the Authority is not in default of any of the terms and conditions of this Agreement, then upon an Event of Default by the Developer, the Authority shall have the right to terminate this Agreement by written notice to the Developer in accordance with the provisions of Section 8.1. In addition, the Authority may exercise its rights under the Authority Deed of Trust and/or apply to a court of competent jurisdiction for relief at law or in equity as may be appropriate and permissible.

7.5 Plans Specs and Reports.

In addition to any remedy contained herein, in the event Developer defaults under this Agreement, and such default has not been cured within the applicable notice and cure period, then, the Authority may exercise its rights under the Assignment of Plans, Reports and Data, to require the Developer to deliver to Authority any and all plans, drawings, studies and related documents concerning the Project within Developer's possession and control, without representation or warranty. Upon delivery to the Authority, the Authority shall have the right to use such materials as it deems necessary and appropriate to fulfill the purposes of this Agreement without obligation to Developer.

7.6 Rights and Remedies are Cumulative.

To the extent permitted by law and except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same time or different times, of any other rights or remedies for the same Event of Default or any other Event of Default by the other party.

7.7 Inaction Not a Waiver of Default.

Any failures or delays by either party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive either 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.

7.8 Rights of Limited Partners.

Notwithstanding anything to the contrary contained herein, the Authority hereby agrees that any cure of any default made or tendered by any limited partner of the Developer shall be deemed to be a cure by the Developer, and shall be accepted or rejected on the same basis as if made or tendered by the Developer; provided, however, that no limited partner shall have any obligation or duty to take any action to cure any default or to cause any default to be cured. The Authority shall not commence any action against the Developer under any of the Authority Loan Documents without first providing the limited partner of the Developer with ninety (90) days' prior notice (or such longer period as the limited partner may need if the limited partner is removing the general partner of the Developer in connection with curing said default) in which time the limited partners of the Developer shall have the right, but not the obligation, to cure any default of the Developer under the Authority Loan Documents.

8. GENERAL PROVISIONS

8.1 Notices, Demands and Communications Between the Parties.

Unless otherwise specified in this Agreement, it shall be sufficient service or giving of any notice, request, certificate, demand or other communication if the same is sent by (and all notices required to be given by mail will be given by) first-class registered or certified mail, postage prepaid, return receipt requested, or by private courier service which provides evidence of delivery. Unless a different address is given by any party as provided in this Section, all such communications will be addressed as follows:

To Developer: Mission Heritage LP
 c/o Wakeland Housing & Development Corporation
 1230 Columbia Street, Suite 950
 San Diego, CA 92101
 Attn: Kenneth L. Sauder

With a copy to: Downs, Pham & Kuei LLP
 One Embarcadero Center, Suite 500
 San Francisco, CA 94111
 Attn: Gary P. Downs, Esq.

To Authority: Housing Authority of the City of Riverside
 3900 Main Street
 Riverside, California 92522
 Attn: Executive Director

City of Riverside
3900 Main Street
Riverside, California 92522
Attn: City Attorney

Any Notice shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail.

8.2 Subordination of Indebtedness.

Any indebtedness of the Authority to the Developer created by this Agreement is subordinate to any pledge of tax increments to the bondholders of any tax increment bonds which have been or may hereafter be issued by the Authority. The Parties hereby agree to execute any and all ancillary documents as may reasonably be requested by any bondholder or other purchaser of bonds, notes or other forms of indebtedness of the Authority entitled to receive the tax increment revenues for the repayment of any other indebtedness of the Authority for which the tax increment revenues have been or may hereafter be pledged.

8.3 Conflicts of Interest.

No member, official or employee of the Authority shall have any direct or indirect interest in this Agreement, nor participate in any decision relating to the Agreement which is prohibited by law.

8.4 Warranty Against Payment of Consideration for Agreement.

Developer warrants that it has not paid or given and will not pay or give, any third person any money or other consideration for obtaining this Agreement, other than normal costs of conducting business and costs of professional services such as project managers, architects, engineers, attorneys, and public relations consultants.

8.5 Nonliability of Authority Officials and Employees.

No member, official, employee, representative or agent of the Authority shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by Authority or for any amount which may become due to Developer or successor, or on any obligation under the terms of this Agreement.

8.6 Approval by Authority and Developer.

Approvals required of the Parties shall be given within the time set forth in the Schedule of Performance or, if no time is given, within a reasonable time. Wherever this Agreement requires the Authority or Developer to approve any contract, document, plan, proposal, specification, drawing or other matter, such approval shall not be unreasonably withheld or delayed. In the event that a Party declines to approve any contract, document, plan, proposal, specification, drawing or other matter, such denial shall be in writing and shall include the reasons for such denial. The Party considering the request for such approval shall use commercially reasonable efforts to respond to such request for approval within fifteen (15) days of receipt unless expressly provided to the contrary herein.

8.7 Force Majeure.

In addition to specific provisions of this Agreement, performance by any 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; acts of God or any other deity; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation, including litigation challenging the validity of this transaction or any element thereof including the acquisition of the Site, or any portion thereof, unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor, or suppliers; acts of the other party; acts or failure to act of the City or any other public or governmental agency or entity (other than that acts or failure to act of the Authority shall not excuse performance by the Authority); or any other causes beyond the control or without the fault of the party claiming an extension of time to perform or relief from default, including, without limitation, the allocation of Authority revenues to the State of California by a legislative act to fund deficits in the state budget. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by mutual agreement among the Authority and the Developer. That notwithstanding, if said prevention or delay extends for one (1) year, any party, by notice in writing to the other, may terminate this Agreement.

8.8 Applicable Law; Interpretation; Captions.

The laws of the State of California shall govern the interpretation and enforcement of this Agreement. This Agreement shall be construed as a whole and in accordance with its fair meaning and as though both of the parties participated equally in its drafting. Captions and organizations are for convenience only and shall not be used in construing meaning.

8.9 Inspection of Books and Records, Reports.

The Authority or its designee has the right at all reasonable times, and upon reasonable advance notice of not less than 48 hours, to inspect the books and records and other related documents of the Developer pertaining to the satisfaction of their obligations hereunder as reasonably necessary for purposes of enforcing the provisions of this Agreement. Such books, records and related documents shall be maintained by the Developer at locations as agreed by the parties. Throughout the term of this Agreement, the Developer shall submit to the Authority reasonable written progress reports as and when reasonably requested by Authority on all matters pertaining to the Project and the Site.

8.10 Administration.

This Agreement shall be administered by the Executive Director following approval of this Agreement by the Authority. Whenever a reference is made in this Agreement to an action, finding or approval to be undertaken by the Authority, the Executive Director is authorized to act on behalf of the Authority unless specifically provided otherwise or the context

should require otherwise. The Executive Director shall have the authority to issue interpretations, waive provisions and enter into amendments of this Agreement on behalf of the Authority so long as such actions do not substantially change the uses or development permitted on the Site, or add to the costs of the Authority as specified herein or as agreed to by the Authority Board. Notwithstanding the foregoing, the Executive Director may in his/her sole and absolute discretion refer any matter to the Authority Board for action, direction or approval.

8.11 Mutual Cooperation.

Each party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful or appropriate to carry out the purposes and intent of this Agreement. To the extent that any lender to, or equity investor in the Project requires modifications to this Agreement or any attachment hereto, the Authority agrees to make such modification within a reasonable time on the condition that such modification does not materially change the rights and obligations of the Parties as set forth herein.

8.12 Ground Breaking and Grand Openings.

To insure proper protocol and recognition of the Authority Board, the Developer shall cooperate with Authority staff in the organization of any Project-related ground breaking, grand openings or any other such inaugural events/ceremonies sponsored by the Developer and celebrating the development which is the subject of this Agreement providing Authority staff with at least two (2) weeks' prior notice of any such event.

8.13 Independent Contractor.

The parties agree that the Developer, in the performance of this Agreement shall act as and be an independent contractor and shall not act in the capacity of an agent, employee or partner of the Authority.

8.14 Entire Agreement.

This Agreement includes forty-six (46) pages and Attachment Nos. 1 through 13 which constitute the entire understanding and agreement of the Parties. Except as otherwise provided herein, this Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter hereof.

8.15 Counterparts.

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. Three (3) duplicate originals of this Agreement shall be executed each of which shall be deemed to be an original.

8.16 Waivers and Amendments.

All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Authority or the Developer, and all amendments hereto must be in writing and signed by the appropriate authorities of the Authority and the Developer.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, Authority and Developer have signed this Agreement as of the date first above written.

“DEVELOPER”

MISSION HERITAGE LP,
a California limited partnership

By: Wakeland Mission Heritage LLC,
a California Limited Liability Company,
its Managing General Partner

By: Wakeland Housing and Development Corporation,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Kenneth L. Sauder

By: _____ LLC,
a _____ limited liability company,
its Co-General Partner

By: Fair Housing Council of Riverside County,
a California nonprofit public benefit corporation

By: _____
Name: _____
Its: _____

“AUTHORITY”

HOUSING AUTHORITY OF THE CITY OF RIVERSIDE,
a public body, corporate and politic

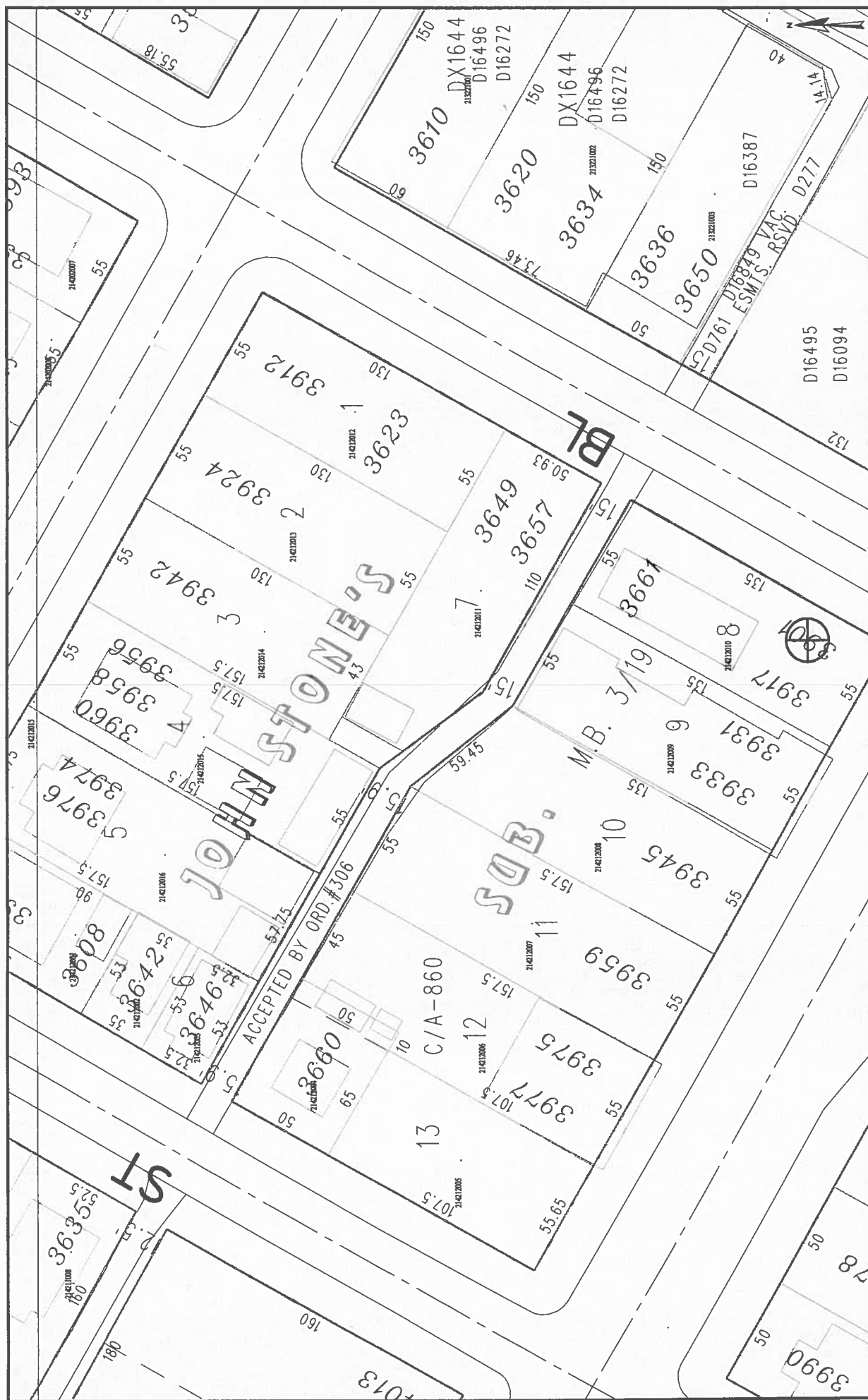
By: _____
Executive Director

ATTEST:

By: _____

APPROVED AS TO FORM:

By: _____
Authority General Counsel



Scale 1" = 40' Map Produced on October 02, 2017 by scurtis

THE CITY OF KINGSBURG MAKES NO WARRANTY OR GUARANTEE OF THE ACCURACY OF THIS MAP.

LEGAL DESCRIPTION

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

PARCEL 1 3959 Mission Inn Avenue - A.P.N. 214-212-007

Lot 11 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California.

PARCEL 2 3945 Mission Inn Avenue - A.P.N. 214-212-008

Lot 10 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California.

PARCEL 3 3933 Mission Inn Avenue - A.P.N. 214-212-009

Lot 9 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California.

PARCEL 4 3901 Mission Inn Avenue - A.P.N. 214-212-010

Lot 8 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California.

PARCEL 5 3649 Fairmount Boulevard - A.P.N. 214-212-011

Lot 7 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California

PARCEL 6 3912 Sixth Street - A.P.N. 214-212-012

Lot 1 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California.

PARCEL 7 3924 Sixth Street - A.P.N. 214-212-013

Lot 2 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California.

PARCEL 8 3942 Sixth Street - A.P.N. 214-212-014

Lot 3 of John Stone's Resubdivision of Block 6, Range 9 in the City of Riverside, as shown by map on file in Book 3, Page 19 of Maps, Records of Riverside County California.

This description was prepared by me or under my direction in conformance with the requirements of the Land Surveyors Act.

Curtis C. Stephens 10/3/17 Prep. (e)
Curtis C. Stephens, L.S. 7519 Date



Mission Heritage Plaza - Project Description

The Mission Heritage Plaza Development, a proposed new construction, mixed-use community, will be located at 3966 Mission Inn Avenue (APNs: 214-212-011 through -014) within the vibrant downtown of the City of Riverside. Mission heritage Plaza will address multiple community needs: quality affordable and fair housing; community meeting space; cultural opportunities. The goal of the new community to create a place to provide comprehensive services that affirmatively address and promote fair housing rights and further housing opportunities for all persons, including veterans, families, seniors and those that have experienced homelessness. This will be accomplished through the construction of 72 new housing units (71 affordable, 1 on-site managers unit), new and updated offices for the Fair Housing Council of Riverside County (FCRC), a Diversity Center – flexible community meeting space and a home for the Civil Rights Institute of Inland Southern California (CRI).

New offices for the Fair Housing Council, the Diversity Center and CRI will be located on the ground floor of a five-story building, four stories of housing units will be located directly above (Building A), and will front onto Mission Inn Avenue. Building B, fronting onto Fairmount Boulevard and a portion of Sixth Street, will step down in building height to three stories, acting as a bridge from the adjacent Fox Theater to the single-family neighborhood toward Sixth Street. Parking will be located on-site and behind Buildings A and B, screened from public view.

Seventy-one of the 72 total rental units will be reserved for households making at or below 60 percent of the Area Median Income (AMI). There will also be one, unrestricted, on-site manager's unit. The new development will set aside 30% of the total units (22 units) for low-income veteran households making at or below 50 % AMI, including:

- 11 units for low-income veteran households (making 50% AMI or below); and
- 11 units, as Permanent Supportive Housing (PSH) Units
 - Six (6) will be reserved for veteran households who have experienced homelessness and have a disabling condition; and
 - Five (5) units will be reserved for veteran households who have experienced chronic homelessness.

The expected level of affordability, unit mix, and number of affordable bedrooms is shown in the table below.

Level of Affordability	Quantity	Bedroom Size	Number of Affordable Bedrooms
30%	14	1 bedroom 1 bath	14
30%	3	2 bedroom 1 bath	6
30%	2	3 bedroom 1 bath	6
45%	2	1 bedroom 1 bath	2
45%	7	2 bedroom 1 bath	14
45%	6	3 bedroom 2 bath	18
50%	8	1 bedroom 1 bath	8
50%	7	2 bedroom 1 bath	14
50%	6	3 bedroom 2 bath	18
60%	6	1 bedroom 1 bath	6
60%	6	2 bedroom 1 bath	12
60%	4	3 bedroom 2 bath	12
Manager's unit	1	2 bedroom 1 bath	N/A
Unit Total	72 units	Bedroom Total:	130 bedrooms

ATTACHMENT NO. 4

SCHEDULE OF PERFORMANCE

Milestone	Date
Schematic Design Completed	October 2016
Submit for Entitlements	December 2016
Entitlements Awarded	October 2017
CEQA Clearance	N/A - Exempt
Commitment of Housing Authority of the City of Riverside Funds	October 2017
Close Escrow on Adjacent Vacant Parcels	4th Quarter 2017
Submit for Affordable Housing & Sustainability Community Funds	1 st Quarter 2018
Design Development Phase Completed	1 st Quarter 2018
Submit for Building Permits	1 st Quarter 2018
Affordable Housing & Sustainable Community Funds Awarded	1 st Quarter 2018
Apply for VHHP funding	1 st Quarter 2018
Submit 4% Low Income Housing Tax Credit Application	1 st Quarter 2018
Award of 4% Low Income Housing Tax Credits	2 nd Quarter 2018
Award of VHHP funding	3 rd Quarter 2018
Grading Permits Issued	3 rd Quarter 2018
Construction Period (15 Months)	4 th Quarter 2018 to 1 st Quarter 2020
Occupancy/Lease-Up	1 st Quarter 2020

Mission Heritage Plaza
72 Units
4% Tax Credits, AHSC and VHHP
22 units for veterans; 11 homeless

Sources and Uses of Financing

Uses of Funding	Per Unit	Construction	Permanent
Land Acquisition	\$ 25,903	\$ 1,865,000	\$ 1,865,000
Design & Engineering	16,181	1,165,000	1,165,000
Legal/Financial/Other Consultants	1,806	117,400	130,000
Permits & Fees	23,275	1,675,823	1,675,823
Direct Construction Costs	330,720	23,811,851	23,811,851
Financing Costs	20,383	1,405,451	1,467,603
Marketing/General & Administrative	4,444	320,000	320,000
Developer Fees	47,569	500,000	3,425,000
Construction Contingency (5%)	16,536	1,190,593	1,190,593
Indirect Cost Contingency (1%)	2,569	184,950	184,950
Total Project Uses	\$ 489,386	\$ 32,236,068	\$ 35,235,820

Sources of Funding	Per Unit	Construction	Permanent
4% Tax Credit Equity	\$ 153,426	\$ 1,657,002	\$ 11,046,677
Permanent Loan	27,372	-	1,970,763
Construction Loan	-	21,681,091	-
AHSC Loan	196,081	3,647,975	14,117,808
GP Capital Contribution	20,833	1,500,000	1,500,000
FHC Fundraising	10,417	750,000	750,000
VHHP Loan	39,591	0	2,850,573
City Loan	41,667	3,000,000	3,000,000
Total Project Sources	\$ 489,386	\$ 32,236,068	\$ 35,235,820

Mission Heritage Plaza
72 Units
Development Budget
4% Tax Credits, AHSC, VHHP

	Per Unit	Total
Land Acquisition		
Private Property	\$ 16,667	\$ 1,200,000
Demolition and Site Cleanup	6,250	450,000
Relocation	2,778	200,000
Predevelopment Holding Costs	-	-
Escrow and Title	<u>208</u>	<u>15,000</u>
Total Land Acquisition	25,903	1,865,000
Direct Construction Costs		
Offsite Improvements	2,083	150,000
Streetscape Improvements (AHSC)	11,111	800,000
Onsite Improvements/Landscaping	12,639	910,000
Residential Construction/Parking	304,887	21,951,851
Furnishings	694	50,000
Contingency	<u>16,536</u>	<u>1,190,593</u>
Total Construction Costs	347,951	25,052,444
Indirect Development Costs		
Architecture and Engineering	16,181	1,165,000
Construction Admin and Security	2,917	210,000
Permits and Fees	21,748	1,565,823
Legal and Accounting	1,806	130,000
Taxes and Insurance	1,849	133,112
Developer Fee	47,569	3,425,000
Marketing/Market Study	1,181	85,000
Soft Cost Contingency	<u>2,569</u>	<u>184,950</u>
Total Indirect Development Costs	95,818	6,898,886
Financing Costs		
Loan Fees	1,691	121,743
Construction Loan Interest	12,600	907,212
Title/Recording/Escrow	347	25,000
TCAC and Syndication Fees	2,431	175,000
Operating Reserves	<u>2,646</u>	<u>190,536</u>
Total Financing Fees	19,715	1,419,491
Total Development Cost	\$ 489,386	\$ 35,235,820

Fair Housing Council of Riverside
PROJECT CASH FLOW

		YEAR	2018														
		2.5%/ann. increase	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RENTAL REVENUES:																	
Gross Potential Rent (Affordable Units)			485,340	497,474	509,911	522,659	535,725	549,118	562,846	576,917	591,340	606,124	621,277	636,809	652,729	669,047	685,773
Laundry/Other	\$14.00		12,096	12,398	12,708	13,026	13,352	13,686	14,028	14,379	14,738	15,106	15,484	15,871	16,268	16,675	17,092
Section 8 Increment			140,160	143,664	147,256	150,937	154,710	158,578	162,542	166,606	170,771	175,040	179,416	183,901	188,499	193,211	198,041
Vacancy Allowance (blended)	5.00%		(24,872)	(25,494)	(26,131)	(26,784)	(27,454)	(28,140)	(28,844)	(29,565)	(30,304)	(31,062)	(31,838)	(32,634)	(33,450)	(34,286)	(35,143)
Vacancy Allowance Section 8 (blended)	5.00%		(7,008)	(7,183)	(7,363)	(7,547)	(7,736)	(7,929)	(8,127)	(8,330)	(8,539)	(8,752)	(8,971)	(9,195)	(9,425)	(9,661)	(9,902)
Net Rental Income			605,716	620,859	636,381	652,291	668,597	685,313	702,445	720,007	738,006	756,456	775,368	794,752	814,621	834,986	855,861
PROPERTY OPERATING COSTS:			3.5%/ann. increase														
Administrative Expenses:																	
Office Supplies & Equipment	\$125 /mo.		1,500	1,553	1,607	1,663	1,721	1,781	1,843	1,908	1,975	2,044	2,116	2,190	2,267	2,346	2,428
Payroll Services	\$40 /mo.		480	497	514	532	551	570	590	611	632	654	677	701	726	751	777
Van Services	\$0 /mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Telephone/Answering Service/Internet	\$300 /mo.		3,600	3,726	3,856	3,991	4,131	4,276	4,426	4,581	4,741	4,907	5,079	5,257	5,441	5,631	5,828
Auto Expense	\$100 /mo.		1,200	1,242	1,285	1,330	1,377	1,425	1,475	1,527	1,580	1,635	1,692	1,751	1,812	1,875	1,941
Training & Travel	\$30 /mo.		360	373	386	400	414	428	443	459	475	492	509	527	545	564	584
Misc. Administrative Expense	\$45 /mo.		541	560	580	600	621	643	666	689	713	738	764	791	819	848	878
Resident Services	667 \$4,000 /mo		48,000	49,680	51,419	53,218	55,081	57,009	59,004	61,069	63,207	65,419	67,709	70,079	72,531	75,070	77,697
City monitoring fee	\$ -		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bond Issuer Fee			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Marketing Expense:																	
Advertising			100	104	108	112	116	120	124	128	132	137	142	147	152	157	162
Professional Fees:																	
Property Management Fees	34,560 \$ 40.00 /mo	income	31,880	32,996	34,151	35,346	36,583	37,863	39,188	40,560	41,980	43,449	44,970	46,544	48,173	49,859	51,604
Accounting	\$0 /mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal Fees	\$100 /mo.		1,200	1,242	1,285	1,330	1,377	1,425	1,475	1,527	1,580	1,635	1,692	1,751	1,812	1,875	1,941
Auditing Expense	\$800 /mo.		9,600	9,936	10,284	10,644	11,017	11,403	11,802	12,215	12,643	13,086	13,544	14,018	14,509	15,017	15,543
Utilities:																	
Electricity	\$23.00 /u/mo		19,596	20,282	20,992	21,727	22,487	23,274	24,089	24,932	25,805	26,708	27,643	28,611	29,612	30,648	31,721
Gas (community center and laundry)	\$18.00 /u/mo		15,552	16,096	16,659	17,242	17,845	18,470	19,116	19,785	20,477	21,194	21,936	22,704	23,499	24,321	25,172
Water and Sewer	\$65.00 /u/mo		56,160	58,126	60,160	62,266	64,445	66,701	69,036	71,452	73,953	76,541	79,220	81,993	84,863	87,833	90,907
Payroll/Payroll Taxes:																	
Salaries-Manager	\$2,800 /mo.		33,600	34,776	35,993	37,253	38,557	39,906	41,303	42,749	44,245	45,794	47,397	49,056	50,773	52,550	54,389
Salaries-Assistant Manager	\$1,500 /mo.		18,000	18,630	19,282	19,957	20,655	21,378	22,126	22,900	23,702	24,532	25,391	26,280	27,200	28,152	29,137
Salaries-Security	\$1,000 /mo.		12,000	12,420	12,855	13,305	13,771	14,253	14,752	15,268	15,802	16,355	16,927	17,519	18,132	18,767	19,424
Salaries-Maintenance Supervisor	\$3,200 /mo.		38,400	39,744	41,135	42,575	44,065	45,607	47,203	48,855	50,565	52,335	54,167	56,063	58,025	60,056	62,158
Salaries-Maintenance Personnel	\$0 /mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Employee Apartments	0 \$0 /mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payroll Taxes	15.000%		15,300	15,836	16,390	16,964	17,557	18,172	18,808	19,466	20,147	20,852	21,582	22,338	23,120	23,929	24,766
Workers Compensation	12.000%		12,240	12,668	13,111	13,570	14,045	14,537	15,046	15,573	16,118	16,682	17,266	17,870	18,495	19,142	19,812
Health Insurance/Other Benefits	\$300 /mo.		3,600	3,726	3,856	3,991	4,131	4,276	4,426	4,581	4,741	4,907	5,079	5,257	5,441	5,631	5,828
Contract Services:																	
Exterminating	\$10 /unit/mo		8,640	8,942	9,255	9,579	9,914	10,261	10,620	10,992	11,377	11,775	12,187	12,614	13,055	13,512	13,985
Trash Removal	\$20.00 /u/mo		17,280	17,885	18,511	19,159	19,830	20,524	21,242	21,985	22,754	23,550	24,374	25,227	26,110	27,024	27,970
Other maintenance	\$0 /mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Building/Grounds Maintenance	\$150.00 /mo		1,800	1,863	1,928	1,995	2,065	2,137	2,212	2,289	2,369	2,452	2,538	2,627	2,719	2,814	2,912
Janitorial	\$5.00 /u/mo		4,320	4,471	4,627	4,789	4,957	5,130	5,310	5,496	5,688	5,887	6,093	6,306	6,527	6,755	6,991
Repair	\$1,000.00 /mo		12,000	12,420	12,855	13,305	13,771	14,253	14,752	15,268	15,802	16,355	16,927	17,519	18,132	18,767	19,424
HVAC Filters	\$0 u/mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cleaning & Decorating:																	
Painting Supplies	\$5.00 /u/mo		4,320	4,471	4,627	4,789	4,957	5,130	5,310	5,496	5,688	5,887	6,093	6,306	6,527	6,755	6,991
Grounds Supplies	In above \$0.00 /u/mo		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repairs & Maintenance:																	
Repairs & Maintenance General	\$400.00 /mo		4,800	4,968	5,142	5,322	5,508	5,701	5,901	6,108	6,322	6,543	6,772	7,009	7,254	7,508	7,771
Elevator Services	\$1,200 /mo		14,400	14,904	15,426	15,966	16,525	17,103	17,702	18,322	18,963	19,627	20,314	21,025	21,761	22,523	23,311
TOTAL VARIABLE COSTS	\$5,423 /unit		390,469	404,137	418,279	432,920	448,074	463,756	479,990	496,791	514,176	532,172	550,800	570,079	590,032	610,680	632,053
Taxes & Insurance:																	
Real Property Tax Assessment	\$83 /unit		6,000	6,120	6,242	6,367	6,494	6,624	6,756	6,891	7,029	7,170	7,313	7,459	7,608	7,760	7,915
Director's & Officer's Insurance	\$0 /mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Misc Taxes/Licenses/Permits	\$20 /mo.		240	248	257	266	275	285	295	305	316	327	338	350	362	375	388
Insurance	\$350 /unit		25,200	26,082	26,995	27,940	28,918	29,930	30,978	32,062	33,184	34,345	35,547	36,791	38,079	39,412	40,791
Fidelity Bond Insurance	\$0 /mo.		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ground Lease Payment																	
TOTAL FIXED COSTS			31,440	32,450	33,494	34,573	35,687	36,839	38,029	39,258	40,529	41,842	43,198	44,600	46,049	47,547	49,094
Operating Reserve	2.00%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING COSTS	367,909 \$5,860 /unit		421,909	436,587	451,773	467,493	483,761	500,595	518,019	536,049	554,705	574,014	593,998	614,679	636,081	658,227	681,147
NET OPERATING INCOME:	5,110		183,807	184,273	184,608	184,798	184,836	184,718	184,426	183,958	183,301	182,442	181,370	180,073	178,540	176,759	174,714
CASH FLOW FROM OPERATIONS:																	
Net Operating Income			183,807	184,273	184,608	184,798	184,836	184,718	184,426	183,958	183,301	182,442	181,370	180,073	178,540	176,759	174,714
Replacement Reserve	6,360 \$500 per unit		36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
CASH FLOW AVAILABLE FOR DEBT SERVICE			147,807	148,273	148,608	148,798	148,836	148,718	148,426	147,958	147,301	146,442	145,370	144,073	142,540	140,759	138,714
Cash Flow w/o Section 8			147,807	148,273	148,608	148,798	148,836	148,718	148,426	147,958	147,301	146,442	145,370	144,073	142,540	140,759	138,714
Debt Service - First Trust Debt	1,970,762 1.24		(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)	(119,354)
Cash Flow After Debt Service			28,453	28,918	29,254	29,444	29,481	29,364	29,072	28,604	27,947	27,087	26,016	24,718	23,186	21,405	19,360
Section 8 Increment			133,152	136,481	139,893	143,390	146,974	150,649	154,415	158,276	162,232	166,288	170,445	174,706	179,074	183,550	188,139
Section 8 Debt Service	1.20		(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)	(110,960)
			22,192	25,521	28,933	32,430	36,014	39,689	43,455	47,316	51,272	55,328	59,485	63,746	68,114	72,590	77,179
			(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)	(11,972)
VHPP Debt Service			38,672	42,467	46,215	49,901	53,523	57,081	60,554	63,947	67,246	70,443	73,528	76,492	79,328	82,023	84,567
Total Cash Flow After Debt Service																	

ATTACHMENT NO. 6

INTENTIONALLY OMITTED

ATTACHMENT NO. 7

PROMISSORY NOTE

(Mission Heritage)

\$3,000,000

_____, 2017
Riverside, California

FOR VALUE RECEIVED, MISSION HERITAGE LP, a California limited partnership (“Borrower”) promises to pay to the **HOUSING AUTHORITY OF THE CITY OF RIVERSIDE**, a public body corporate and politic (“Authority”), or order, the principal sum of Three Million Dollars (\$3,000,000), or so much of such principal as may be disbursed pursuant hereto and in accordance with that certain Loan Agreement by and between the Authority and Borrower dated for identification purposes only as of _____, 20__ (the “Agreement”). The record of such disbursements shall be recorded on Exhibit “A” to this Promissory Note by Authority and acknowledged by the Borrower. This Note evidences the obligation of Borrower to Authority for the repayment of certain funds (the “Authority Loan”) loaned to Borrower by Authority and required to be paid by Borrower pursuant to the Agreement, in connection with the acquisition, development and construction of certain real property located at 3901 and 3922 Mission Inn Avenue and 3942 Sixth Street, in the City of Riverside, California and identified with Assessor Parcel Numbers 214-212-007 -008, -009, -010, -011, -012, and -013 (the “Property”). All capitalized terms unless otherwise defined herein shall have the same meaning as set forth in the Agreement.

1. Source of Funds.

The Authority contemplates that it shall utilize funds set aside by the Authority for affordable housing to fund the Authority Loan.

2. Interest.

2.1 Basic Interest. Except as provided in section 2.2 below, the disbursed and unpaid principal balance of the Authority Loan shall bear interest for the period of time commencing on the date on which the Authority Loan proceeds are first disbursed for the account of Borrower and ending on the date upon which the Authority Loan is repaid in full at the rate of three percent (3.0 %) per annum, simple interest. Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

2.2 Default Rate. Any amounts (including but not limited to amounts of principal and interest on the Authority Loan) which Borrower does not pay when otherwise due under the terms of this Note, shall bear interest at the rate of ten percent (10%) per annum (“Default Rate”), simple interest, from the date which is ten (10) days after such amount would otherwise be due until the date paid.

3. Payment Dates and Amounts.

Except as otherwise provided in this Authority Promissory Note, Borrower shall repay the Authority Loan with interest in arrears in annual installments on April 1 of each calendar year for the previous calendar year, commencing on April 1 in the calendar year immediately following the calendar year in which the Release of Construction Covenants is recorded in the official records of Riverside County. Absent prepayment or acceleration, the Borrower agrees to pay the indebtedness of the Authority Loan to the Authority in annual payments equal to fifty percent (50%) of the Residual Receipts (the “Authority Share of Residual Receipts”) for the prior fiscal year.

3.1 Definition of Annual Project Revenue. “Annual Project Revenue” shall mean all gross income and all revenues of any kind from the Development in a fiscal year, including without limitation, Development rents, Section 8 housing assistance payments, if any, late charges, vending machine income, and any other revenues of whatever kind or nature from the Development, except that interest on security deposits, required reserves, capital contributions, insurance proceeds, and, condemnation proceeds, shall not be considered Annual Project Revenue.

3.2 Definition of Asset Management Fee. “Asset Management Fees” shall mean the asset management fee payable pursuant to the terms of the Developer’s limited partnership agreement.

3.3 Definition of Completion Loan. “Completion Loan” means a loan provided by any partner of the Developer or any party obligated to guaranty the obligations of the Developer to the Developer’s limited partners to pay for completion of the Project as may be required under the Developer’s limited partnership agreement, if applicable.

3.4 Definition of Debt Service. “Debt Service” means payments made in the fiscal year pursuant to the terms and conditions of the Construction and Permanent Loan or any subsequent promissory note and loan agreement with a private lender and excluding payments made pursuant to the Authority promissory note and notes made with other sources of subsidy financing.

3.5 Definition of Deferred Developer Fee. “Deferred Developer Fee” shall mean any developer fee remaining unpaid at the time the Development receives its certificate of occupancy for a period not to exceed fifteen (15) years thereafter.

3.6 Definition of General Partner Loan. “General Partner loan” shall mean a loan, if any, provided by the general partner of the Developer, or any entity which is obligated to guaranty the obligations of the general partner, as may be required by the Developer’s limited partnership agreement.

3.7 Definition of Investment Limited Partner Asset Management Fees. “Investment Limited Partner Asset Management Fees” shall mean the asset management fee, if any, payable to the investment limited partner of the Developer.

3.8 Definition of Operating Deficit Loan. “Operating Deficit loan” shall mean a loan, if any, provided by the general partner of the Developer, or any entity which is obligated to guaranty the obligations of the general partner to pay for Development operating deficits, as may be required by the Developer’s limited partnership agreement.

3.9 Definition of Operating Expenses. “Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly incurred, paid, and attributable to the operation, maintenance and management of the Project in a fiscal year, including, without limitation: painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, sewer charges, real and personal property taxes, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings which are not paid from the capital replacement reserve, fees and expenses of property management, fees and expenses of accountants, attorneys and other professionals, and other actual, reasonable and customary operating costs and capital costs which are directly incurred and paid by the Borrower, but which are not paid from the operating reserve or other reserve accounts. The Operating Expenses shall not in any event include expenses not related to the Development’s operations, including without limitation, depreciation, amortization, non-cash expenses, and accrued principal and interest expense on deferred payment debt.

3.10 Definition of Residual Receipts. “Residual Receipts” means Annual Project Revenue less the sum of actual reasonable payments made on the following:

- (a) Operating Expenses;
- (b) Debt Service;
- (c) Reserve Deposits;
- (d) Reasonable and customary Asset Management Fee consistent with the Developer's pro forma upon the acquisition of the Project plus interest thereon;
- (e) A Reasonable and customary Investment Limited Partner Asset Management Fee consistent with Developer's pro forma upon the acquisition of the Project plus interest thereon;
- (f) A Deferred Developer Fee not to exceed the amount of Developer Fee approved by the California Tax Credit Allocation Committee;
- (g) General Partner Loan plus interest thereon;
- (h) Operating Deficit Loan plus interest thereon; plus
- (i) Completion Loan plus interest thereon.

3.11 Interest accrued on items set forth in Section 2.1 and in Section 6 shall not exceed a reasonable and customary rate of interest accrued on similar debt associated with similar affordable housing projects in Southern California.

4. Annual Financial Statement.

Not later than May 1, 2019 and each May 1st thereafter throughout the term, Borrower shall submit to Authority its Annual Financial Statement for the preceding year together with payments, if any, pursuant to Section 3 hereof. Residual Receipts shall be calculated by Borrower (and certified by an authorized officer of Borrower) and reported by Borrower to Authority annually for each calendar year no later than May 1st of the following calendar year on forms specified and provided

by Authority from time to time but no later than June 30th of each year. All calculations and records shall be based upon Borrower's Annual Financial Statement and shall be subject to audit by Authority. In connection with any audit, Borrower shall provide to Authority for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by Authority for the purpose of verifying Borrower's calculation of Residual Receipts, and shall promptly pay to Authority any further amount due but not paid as a result of any miscalculation by Borrower. Authority shall promptly pay Borrower any overpayments made by Borrower as shown by such audit.

5. Maturity Dates.

Notwithstanding any other provision hereof, unless due sooner by virtue of the acceleration of the balance hereof in accordance with Section 7, the outstanding principal balance together with any accrued and unpaid interest due thereon and any other sums payable under this Note shall be due and payable in full on the date which is fifty-five (55) years from the date of the recording of the Release of Construction Covenants (the "Maturity Date").

6. Additional Payments.

Unless waived by the Authority's Executive Director, in addition to the payments provided in Section 3 above, and subject to the terms of any senior financing, Borrower shall pay to Authority towards (but not to exceed) any outstanding amounts related to the Authority Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Net Proceeds of such Assignment multiplied by the Authority Percentage; and (b) no later than the recording of a Refinancing, (x) an amount equal to (i) fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing, multiplied by (ii) the Applicable Percentage; multiplied by (y) the Authority Percentage.

A "Minor Assignment" means any lease of an individual unit in the Project for occupancy by a residential subtenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" means fifty percent (50%); provided, however, that the term "Applicable Percentage" means one hundred percent (100%) with respect to a payment on the Authority Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Property, the Project or any portion of either.

"Assignment" means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Property by Borrower or initial development of the Project), sublease, sale or transfer of the Property, including, without limitation, any transfer by Borrower of all or any portion of its rights under or interest in the Project or the Property, any unpermitted change of ownership or control of Borrower, any condemnation or taking of the Property or the Project or any portion thereof, any event of damage to or destruction of the Property or the Project, any foreclosure of Borrower's interest in the Project or the Property, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Project or the Property, or any assignment of Borrower's estate in the Project or the Property through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature

thereof; provided, however, that the term “Assignment” as used herein shall not include (i) any permitted transfer as set forth in Section 2.2 of the Agreement or (ii) any bonafide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer shall not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

“Net Proceeds” of an Assignment means (a) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any non-cash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to Authority), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower in connection with a condemnation or taking in eminent domain of any part of the Property or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower in connection with any damage to or destruction of the Property or the Project or any part thereof; less (b) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys’ fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms’ length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above which is or appears to be to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

“Refinancing” means creation or substantial modification of a loan secured by an encumbrance on the Property, the Project, or any portion thereof. The term “Refinancing” shall not include the creation of the financing and any other project loan, the proceeds of which are used solely for initial acquisition of the Property by Borrower or initial development of the Project or otherwise allowed in the Agreement (the “Senior Financing”).

“Net Refinancing Proceeds” means the gross face amount of the loan proceeds obtained in connection with a Refinancing, after: (a) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, or other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms’ length transaction between unrelated parties acting reasonably); (b) deduction of amounts for any necessary construction to the Project, as approved by Authority, which approval shall not be

unreasonably withheld; (c) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing, any deferred fees (including the Deferred Developer Fee, Asset Management Fees, and Investment Limited Partner Asset Management Fee) General Partner Loan plus interest thereon, Operating Deficit Loan and Completion Loan plus interest thereon, if applicable.

7. Acceleration.

Notwithstanding the payment terms set forth in Section 3 above, upon the occurrence of any “Event of Default” as set forth in Section 14 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Authority and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

8. Prepayment; Application of Payments.

At any time after the disbursement of the Authority Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Authority Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 7 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Authority Loan principal or interest thereon) due under this Note or the Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the basic interest rate of three percent (3%) per annum (simple interest), if any, then toward any deferred principal, and finally toward the remaining principal balance under the Note.

9. Security For Note.

Borrower’s obligations under this Note and the Agreement shall, at all times during which any amount remains outstanding, be secured by that certain deed of trust, fixture filing and assignment of rents (“Authority Deed of Trust”) of even date herewith, and of which Authority is the beneficiary, recorded against Borrower’s fee interest in the Property and the Project (collectively, the “Property”).

10. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Authority Loan and all accrued interest thereon shall be absolute and unconditional, and until such time as all of the outstanding principal of and interest on this Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this Note, the Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Note, the Agreement or any document executed hereunder or in connection herewith.

11. Purpose of Authority Loan.

The Authority Loan proceeds shall be used by Borrower only to pay Project Costs and such other uses previously approved in writing by Authority in accordance with the Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Authority Loan except as expressly provided in this Note and the Agreement.

12. Covenants of Borrower.

As additional consideration for the making of the Authority Loan by Authority, Borrower covenants as follows:

12.1 Compliance with Agreement, the Regulatory Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Agreement, the Regulatory Agreement and the Deed of Trust. Any amounts payable by Borrower under the Agreement, the Regulatory Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Authority Loan payable hereunder.

12.2 Other Loans. Borrower shall comply with all monetary and non-monetary covenants associated with any loan secured by an interest in the Property or the Project. Borrower shall provide to Authority a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting Authority, to the extent Authority in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by Authority in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Authority Loan.

13. Assignment of this Note.

This Note shall be assignable by Borrower in accordance with Section 2.2 of the Agreement. Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Note and/or the Authority Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Regulations.

14. Events of Default and Remedies.

14.1 Borrower Events of Default. The occurrence of any of the circumstances described in this Section 14.1 shall constitute an event of default by Borrower hereunder ("Event of Default"). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 14.1(c) through 14.1(h) below. Where notice is required, Authority shall notify the Investor concurrently with the notice delivered to the Borrower.

(a) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Agreement, without curing such failure within ten (10) days after receipt of written notice of such default from Authority (or from any party authorized by Authority to deliver such notice as identified by Authority in writing to Borrower).

(b) The failure of Borrower to perform any non-monetary covenant or obligation hereunder, or under the Deed of Trust or the Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from Authority (or from any party authorized by Authority to deliver such notice as identified by Authority in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter.

(c) The material falsity, when made, of any representation or breach of any material warranty or covenant made by Borrower under the terms of this Note, the Agreement or the Deed of Trust;

(d) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (ii) fail to pay or admit in writing its inability to pay its debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary petition that is not withdrawn within ninety (90) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(e) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (i) result in the entry of an order for relief or any such adjudication or appointment, or (ii) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Note, the Regulatory Agreement and/or the Agreement for a continuous period of more than sixty (60) days;

(g) A transfer, in violation of Section 2.2 of the Agreement;

(h) If Borrower is in default under the terms of the Regulatory Agreement, Senior Financing or other financing, or any other secured or unsecured obligation relating to the Project, unless such default is cured within the cure period, if any, applicable thereto under the terms and obligation which is in default.

14.2 Authority Remedies. Upon the occurrence of an Event of Default hereunder, and subject to the rights of any senior lenders Authority may, in its sole discretion, take any one or more of the following actions:

(a) By notice to Borrower, except in the case of a default by Borrower under Section 14.1(d) or Section 14.1(e) in which event no notice shall be required, declare the entire then unpaid principal balance of the Authority Loan immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Authority Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(b) Subject to the nonrecourse provisions of Section 23 below, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of Authority, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Note, the Agreement or under any other document executed in connection herewith;

(c) Subject to the nonrecourse provision of Section 23 below, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, Authority may, but shall not be obligated to, make such payment. If such payment is made by Authority, Borrower shall deposit with Authority, upon written demand therefor, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by Authority shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this Note;

(d) Subject to the nonrecourse provisions of Section 23 below, upon the occurrence of an Event of Default described in Section 14.1(d) or 14.1(e) hereof, Authority shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Authority Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of Authority and its counsel to protect the interests of Authority and to collect and receive any monies or other property in satisfaction of its claim.

14.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to Authority intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Note or now existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as Authority may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by Authority. In order to entitle Authority to exercise any right or remedy reserved to it under this Note, no notice shall be required except as expressly provided herein.

14.4 Authority Default and Borrower Remedies. Upon fault or failure of Authority to meet any of its obligations under this Note without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

- (a) Demand and obtain payment from Authority of any sums due to or for the benefit of Borrower pursuant to the express terms of this Note;
- (b) Bring an action in equitable relief seeking the specific performance by Authority of the terms and conditions of this Note or seeking to enjoin any act by Authority which is prohibited hereunder; and/or
- (c) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Note.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from Authority arising out of or in connection with this Note, and in connection with such waiver Borrower is familiar with and hereby waives the provision of 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.”

15. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Note or any of the Authority Loan Documents, defined as the Agreement, this Note, the Deed of Trust, the Regulatory Agreement, the Request for Notice of Default and all other documents contemplated by the Agreement, as a consequence of any breach by the other party of its obligations thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Note or any other Authority Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse Authority, upon demand by Authority, for all costs incurred by Authority in connection with enforcement of this Note, and any other Authority Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether Authority is a creditor in such proceedings or otherwise.

16. Conflict of Interest; No Individual Liability.

No official or employee of Authority shall have any personal interest, direct or indirect, in this Note, nor shall any official or employee of Authority participate in any decision relating to this Note which affects such official's or employee's pecuniary interest in any corporation, partnership or

association in which such official or employee is directly or indirectly interested. No official or employee of Authority shall be personally liable in the event of a breach of this Note by Authority.

17. Amendments, Changes and Modifications.

This Note may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto.

18. Notices.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Note shall be in writing and shall be sent by first-class registered or certified mail, postage prepaid, return receipt requested, or by private courier service which provides evidence of delivery. Unless a different address is given by any party as provided in this Section, all such communications will be addressed as follows:

To Borrower: Mission Heritage LP
c/o Wakeland Housing & Development Corporation
1230 Columbia Street, Suite 950
San Diego, CA 92101
Attn: Kenneth L. Sauder

With a copy to: Downs, Pham & Kuei LLP
One Embarcadero Center, Suite 500
San Francisco, CA 94111
Attn: Gary P. Downs, Esq.

To Authority: Housing Authority of the City of Riverside
Attn: Executive Director
3900 Main Street
Riverside, California 92522

Copies to: City of Riverside
Attn: City Attorney
3900 Main Street
Riverside, California 92522

Any Notice shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Note. Any address for service of notice on any party may be changed by that party serving a notice upon the other of the new address, except that any change of address to a post office box shall not be effective unless a street address is also specified for use in effectuating personal service.

19. Severability.

The invalidity or unenforceability of any one or more provisions of this Note will in no way affect any other provisions.

20. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Note by Borrower. Each party hereto has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in an amount in excess of any applicable usury law or other legal limitation on interest, and the terms of this Note shall be interpreted to require in each instance the lesser of (a) the amount stated in this Note, and (b) the maximum applicable legal limit.

21. No Waiver; Consents.

Any waiver by Authority must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by Authority to take action on account of any default of Borrower. Consent by Authority to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirements for Authority's consent to be obtained in any future or other instance.

22. Governing Law.

This Note shall be governed by the laws of the State of California.

23. Nonrecourse Obligation After Completion of Construction.

This Note shall constitute a recourse obligation of the Borrower until recordation of the Release of Construction Covenants in the official records of the County of Riverside. Upon completion of construction of the Project as evidenced by the recordation of a Release of Construction Covenants, this Note shall be nonrecourse and neither Borrower nor any member, officer, partner or employee of Borrower shall have any personal liability for repayment of the sums evidenced hereby, and the Authority must resort only to the Property for repayment should the Borrower fail to repay the sums evidenced hereby.

Nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for this Note of all the rights and remedies of the Authority, or (b) be deemed in any way to impair the right of the Authority to assert the unpaid principal amount of this Note as a demand for money within the meaning and intent of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on this Note; nothing contained therein is intended to relieve the Borrower and, if Borrower is a partnership, any general partner of Borrower of liability for (i) fraud or willful misrepresentation of the Borrower; (ii) the failure to pay taxes, assessments or other charges which

may create liens on the real property described in the Authority Loan Documents that are payable or applicable prior to any foreclosure under the Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the retention of any rental income or other income arising with respect to the Project collected by Borrower after the Authority has given any notice that Borrower is in default to the full extent of the rental income or other income retained and collected by Borrower after the giving of any such notice; (iv) the fair market value as of the time of the giving of any notice referred to in subparagraph (iii) above of any personal property or fixtures removed or disposed of by Borrower other than in accordance with the Authority Loan Documents after the giving of any notice referred to above; and (v) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Project; and (vi) breach of any environmental covenant or representation made by the Borrower relating to the Project.

24. Approvals.

Except with respect to those matters set forth hereinabove providing for Authority's approval, consent or determination to be at Authority's "sole discretion" or "sole and absolute discretion," Authority hereby agrees to act reasonably with regard to any approval, consent, or other determination given by Authority hereunder. Authority agrees to give Borrower written notice of its approval or disapproval following submission of items to Authority for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by the Authority or any Authority official or employee under this Note shall be solely for the benefit of Authority, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not Authority shall be solely responsible for assuring compliance with laws, the suitability of the Property for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

25. Waiver.

Borrower agrees that it will still be liable for repayment of this Note, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of Authority or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which Authority may have.

[Signatures on following page.]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date and year first above written.

BORROWER:

Mission Heritage LP
a California limited partnership

By: Wakeland Mission Heritage LLC,
a California limited liability company,
its Managing General Partner

By: Wakeland Housing and Development Corporation,
a California nonprofit public benefit corporation,
its Manager and Sole Member

By: _____
Kenneth L. Sauder, President

By: _____, LLC,
a _____ limited liability company
its Co-General Partner

By: Fair Housing Council of Riverside,
a California nonprofit public benefit corporation
[its Sole Member and Manager]

By: _____
Name: _____
Its: _____

EXHIBIT “A”

DISBURSEMENT RECORD

	Disbursement Amount	Disbursement Date	Borrower’s Acknowledgment of Receipt
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

ATTACHMENT NO. 8

AUTHORITY DEED OF TRUST

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)

)
)
Housing Authority of the City of Riverside)
3900 Main Street)
Riverside, CA 92522)
Attn: Executive Director)
)

Project: Mission Heritage

(Space above for Recorder's Use Only)

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

DEED OF TRUST, FIXTURE FILING AND ASSIGNMENT OF RENTS

THIS DEED OF TRUST, FIXTURE FILING AND ASSIGNMENT OF RENTS ("**Deed of Trust**") is made as of _____, 2017, by MISSION HERITAGE LP, a California limited partnership ("**Trustor**"), whose address is 1230 Columbia Street, Suite 950, San Diego, CA, 92101, to Chicago Title Company, located at 701 B Street, Suite 760, San Diego, CA 92101 ("**Trustee**"), for the benefit of the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public body, corporate and politic ("**Beneficiary**").

THIS DEED OF TRUST is given, inter alia, for the purpose of securing the obligation of Trustor to repay Beneficiary all principal and interest due in connection with that certain loan in the original principal amount of Three Million Dollars (\$3,000,000) made by Beneficiary for the benefit of Trustor (the "**Authority Loan**"), evidenced by that certain Authority Promissory Note executed by Trustor in favor of Beneficiary, dated of even date herewith (the "**Note**"), and made in accordance with that certain Loan Agreement by and between Beneficiary and Trustor, dated concurrent herewith (the "**Loan Agreement**"), and the performance of Trustor's obligations thereunder and under this Deed of Trust and the Regulatory Agreement as hereinafter defined. The Authority Loan shall be made in connection with the acquisition and assembly of certain real property and predevelopment activities in preparation for construction of improvements thereon containing seventy-two (72) Units, including one (1) unrestricted manager's unit, and any improvements appurtenant thereto by the Trustor in accordance with the Loan Agreement (the "**Project**"). The real property is located in the City of Riverside, State of California, identified as Assessor Parcel Numbers 214-212-007 -008, -009, -010, -011, -012, and -013, as more particularly described on Exhibit A, attached hereto and incorporated herein by this reference (the "**Property**").

FOR GOOD AND VALUABLE CONSIDERATION, including the financial assistance herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER

OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, the Property;

TOGETHER WITH any and all buildings and improvements now or hereafter erected on the Property including, without limitation, Trustor's interest in fixtures, tenements, attachments, appliances, equipment, building systems, machinery, and other articles now or hereafter attached to the buildings and improvements (collectively, the "**Improvements**"), all of which shall be deemed and construed to be a part of the real property;

TOGETHER WITH all earnings, rents, issues, profits, revenue, royalties, income, proceeds and other benefits, including, without limitation, prepaid rents and security deposits (collectively, the "**Rents**") derived from any lease, sublease, license, franchise or concession or other agreement (collectively, the "**Leases**") now or hereafter affecting all or any portion of the Property or the Improvements or the use or occupancy thereof,

TOGETHER WITH all interests, estates or other claims, both in law and in equity, which Trustor now has or may hereafter acquire in the Property or the Improvements, including, without limitation, all right, title and interest now owned or hereafter acquired by Trustor in and to any greater estate in the Property or the Improvements;

TOGETHER WITH all easements, tenements, hereditaments, appurtenances, rights-of-way and rights now owned or hereafter acquired by Trustor used or useful in connection with the Property or as a means of access thereto, including, without limiting the generality of the foregoing, all rights pursuant to any trackage agreement and all rights to the nonexclusive use of common drive entries, all oil and gas and other hydrocarbons and all other minerals and water and water rights and shares of stock evidencing the same;

TOGETHER WITH all leasehold estate, right, title and interest of Trustor in and to all leases, subleases, sub-tenancies, licenses, franchises, occupancy agreements and other agreements covering the Property, the Improvements or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Trustor thereunder, including, without limitation, all cash or security deposits, prepaid or advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired in and to any Property lying within the right-of-way of any street, open or proposed, adjoining the Property and any and all sidewalks, vaults, alloys and strips and gores of property adjacent to or used in connection with the Property;

TOGETHER WITH all the estate, interest, right, title, other claim or demand, both in law and in equity, including claims or demands with respect to the proceeds of insurance in effect with respect to the Property, which Trustor now has or may hereafter acquire in the Property or the Improvements and any and all awards made for the taking by eminent domain, or by any proceeding of purchase in lieu thereof, of the whole or any part of the interests described in this Deed of Trust, including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages.

The entire estate, property and interest hereby conveyed to Trustee may hereafter be collectively referred to as the “*Trust Estate*”.

FOR THE PURPOSE OF SECURING:

(a) the payment of the sum of Three Million Dollars (\$3,000,000), or so much of such principal as may be disbursed pursuant to the Note, with non-compounding simple interest at 3.0% per annum according to the terms of the Note, and any and all additions, modifications or extensions thereof;

(b) performance of every obligation, covenant and agreement of Trustor contained in the Loan Agreement, the Note, and that certain Regulatory Agreement by and between Trustor and Beneficiary dated and recorded concurrently herewith (the “*Regulatory Agreement*”) which includes among other covenants and restrictions, covenants of affordability, maintenance of the Project and restrictions on transfer of ownership of the Project and all modifications, extensions, renewals, and replacements thereof or any other agreement now or hereafter executed by Trustor which recites that the obligations thereunder are secured by this Deed of Trust and the Notice of Default (collectively, the “*Loan Documents*”);

(c) payment of all sums advanced by Beneficiary or its successors and assigns, or Trustee, to enforce the Note, the Loan Agreement, the Regulatory Agreement or this Deed of Trust to protect the Trust Estate upon an Event of Default, with interest thereon at the rate of ten percent (10%) per annum (the “*Default Rate*”) pursuant to the terms of the Note;

(d) payment and performance of all other obligations of Trustor arising from any and all existing and future agreements with Beneficiary, or its successors or assigns, when such agreement recites that the obligations thereunder are secured by this Deed of Trust.

All initially capitalized terms used herein which are defined in the Loan Agreement shall have the same meaning herein unless the context otherwise requires.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE 1. COVENANTS AND AGREEMENTS OF TRUSTOR

1.1 **Payment of Secured Obligations.** Trustor shall immediately pay when due all amounts secured hereby.

1.2 **Maintenance, Repair, Alterations.** Subject to normal wear and tear, Trustor (a) shall keep the Property and the Improvements thereon in good condition and repair in accordance with the Loan Documents, including, without limitation, the Regulatory Agreement; (b) shall not remove, demolish or substantially alter any of the Improvements except upon the prior written consent of Beneficiary; (c) shall complete promptly and in a good and workmanlike manner any Improvement which may be now or hereafter constructed on the Property and promptly restore in like manner any portion of the Improvements which may be damaged or

destroyed thereon from any cause whatsoever, and pay when due all claims for labor performed and materials furnished therefor; (d) shall comply in all material respects with all applicable laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Trust Estate or any part thereof or requiring any alterations or improvements; (e) shall not commit or permit any waste or deterioration of the Property or the Improvements; (f) shall not allow changes in the use for which all or any part of the Property or the Improvements were intended; and (g) shall not initiate or acquiesce in a change in the zoning classification of the Property and the Improvements without Beneficiary's prior written consent, which shall not be unreasonably withheld, conditioned or delayed.

1.3 Required Insurance.

(a) Trustor shall at all times provide, maintain and keep in force or cause to be provided, maintained and kept in force, at no expense to Trustee or Beneficiary, policies of insurance in accordance with the terms of the Loan Documents in form and amounts, providing for deductibles, and issued by companies, associations or organizations covering such casualties, risks, perils, liabilities and other hazards as required by the Loan Documents or by Beneficiary pursuant thereto.

(b) Trustor shall not obtain separate insurance concurrent in form or contributing in the event of loss with that required to be maintained hereunder unless Beneficiary is included thereon under a standard, non-contributory mortgagee clause or endorsement acceptable to Beneficiary. Trustor shall immediately notify Beneficiary whenever any such separate insurance is obtained and shall promptly deliver to Beneficiary the original policy or policies of such insurance.

(c) Within 90 days following the end of each fiscal year of Trustor, at the request of Beneficiary, Trustor at Trustor's expense shall furnish such evidence of replacement costs as the insurance carrier providing casualty insurance for the building(s) and other improvements on the Property may require to determine, or which such carrier may provide in determining, the then replacement cost of the building(s) and other improvements on the Property.

1.4 Delivery of Policies, Payment of Premiums.

(a) At Beneficiary's option Trustor shall furnish Beneficiary with a copy of all policies of insurance required under Section 1.3 above or evidence of insurance issued by the applicable insurance company for each required policy setting forth the coverage, the limits of liability, the name of the carrier, the policy number and the period of coverage, and otherwise in form and substance satisfactory to Beneficiary in all respects.

(b) In the event Trustor fails to provide, maintain, keep in force or deliver to Beneficiary the policies of insurance required by this Deed of Trust or by any Loan Documents, Beneficiary may (but shall have no obligation to) procure such insurance or single-interest insurance for such risks covering Beneficiary's interest and Trustor will pay all premiums thereon and reimburse Beneficiary for all amounts paid or incurred by it in connection therewith promptly upon demand by Beneficiary and, until such payment and reimbursement is made by

Trustor, the amount of all such premiums and amounts paid or incurred by Beneficiary shall become indebtedness secured by this Deed of Trust and bear interest at the Default Rate. Following an Event of Default for failure to maintain insurance in accordance with this Section 1.4 and upon written request by Beneficiary, Trustor shall deposit with Beneficiary in monthly installments, an amount equal to 1/12 of the estimated aggregate annual insurance premiums on all policies of insurance required by the Loan Documents or this Deed of Trust. In such event Trustor further agrees to cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to Beneficiary. Upon receipt of such bills, statements or other documents evidencing that a premium for a required policy is then payable, and providing Trustor has deposited sufficient funds with Beneficiary pursuant to this Section 1.4, Beneficiary shall timely pay such amounts as may be due thereunder out of the funds so deposited with Beneficiary. If at any time and for any reason the funds deposited with Beneficiary are or will be insufficient to pay such amounts as may be then or subsequently due, Beneficiary shall notify Trustor and Trustor shall immediately deposit an amount equal to such deficiency with Beneficiary. Notwithstanding the foregoing, nothing contained herein shall cause Beneficiary to be deemed a trustee of the funds or to be obligated to pay any amounts in excess of the amount of funds deposited with Beneficiary pursuant to this Section 1.4, nor shall anything contained herein modify the obligation of Trustor set forth in Section 1.3 hereof to maintain and keep such insurance in force at all times. Beneficiary may commingle the reserve with its own funds and Trustor shall be entitled to no interest thereon.

1.5 **Casualties; Insurance Proceeds.** Trustor shall give prompt written notice thereof to Beneficiary after the happening of any casualty to or in connection with the Property, the Improvements, or any part thereof, whether or not covered by insurance. Subject to the provisions of any senior liens, in the event of such casualty, all proceeds of insurance shall be payable to Beneficiary up to the outstanding balance of the Authority Loan, whether required by the Loan Documents or otherwise, and Trustor hereby authorizes and directs any affected insurance company to make payment of such proceeds directly to Beneficiary. If Trustor receives any proceeds of insurance resulting from such casualty, whether required by the Loan Documents or otherwise, Trustor shall promptly pay over such proceeds to Beneficiary up to the outstanding balance of the Authority Loan, except where the insurance proceeds for such casualty are less than \$50,000. Beneficiary is hereby authorized and is empowered by Trustor to settle, adjust or compromise any and all claims for loss, damage or destruction under any policy or policies of insurance. In the event of any damage or destruction of the Property or the Improvements, Beneficiary shall apply all loss proceeds remaining after deduction of all expenses of collection and settlement thereof, including, without limitation, fees and expenses of attorneys and adjustors, to the restoration of the Improvements, but only as repairs or replacements are effected and continuing expenses become due and payable and provided all applicable conditions specified in the Loan Documents with respect thereto have been satisfied. If any one or more of such conditions in the Loan Documents has not been met, Beneficiary shall not be obligated to make any further disbursements pursuant to the Note and Beneficiary shall apply all loss proceeds up to the outstanding balance of the Authority Loan, after deductions as herein provided, to the repayment of any indebtedness thereunder, together with all accrued interest thereon, notwithstanding that the outstanding balance may not be due and payable and the Loan Agreement shall terminate. Nothing herein contained shall be deemed to excuse Trustor from repairing or maintaining the Property and the Improvements as provided in Section 1.2 hereof or restoring all damage or destruction to the

Property or the Improvements, regardless of whether or not there are insurance proceeds available to Trustor or whether any such proceeds are sufficient in amount, and the application or release by Beneficiary of any insurance proceeds shall not cure or waive any Event of Default nor any notice of default under this Deed of Trust or invalidate any act done pursuant to such notice.

1.6 Intentionally omitted.

1.7 Indemnification; Subrogation; Waiver of Offset.

(a) If Beneficiary is made a party to any litigation concerning this Deed of Trust or any of the Loan Documents, the Trust Estate or any part thereof or interest therein, or the occupancy of the Property or the Improvements by Trustor, then Trustor shall indemnify, defend and hold Beneficiary harmless from all liability by reason of that litigation, including reasonable attorneys' fees and expenses incurred by Beneficiary as a result of any such litigation, whether or not any such litigation is prosecuted to judgment, except to the extent that such liability is caused by the negligence or willful misconduct of Beneficiary, its commissioners, officers, agents and employees. Beneficiary may employ an attorney or attorneys selected by it to protect its rights hereunder, and Trustor shall pay to Beneficiary reasonable attorneys' fees and costs incurred by Beneficiary, whether or not an action is actually commenced against Trustor by reason of its breach.

(b) Trustor waives any and all right to claim or recover against Trustee, Beneficiary, and their respective officers, employees, agents and representatives, for loss of or damage to Trustor, the Trust Estate, Trustor's property or the property of others under Trustor's control from any cause insured against or required to be insured against by the provisions of this Deed of Trust.

(c) All sums payable by Trustor in accordance with the terms of this Deed of Trust, the Note or the Loan Agreement shall be paid upon notice and demand and without counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of Trustor hereunder shall in no way be released, discharged or otherwise affected (except as expressly provided herein) by reason of (i) any damage to or destruction of or any condemnation or similar taking of the Trust Estate or any part thereof, (ii) any restriction or prevention of or interference by any third party with any use of the Trust Estate or any part thereof, (iii) any title defect or encumbrance or any eviction from the Improvements or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to Beneficiary, or any action taken with respect to this Deed of Trust by any trustee or receiver of Beneficiary, or by any court, in any such proceeding; (v) any claim which Trustor has or might have against Beneficiary, which does not relate to the Authority Loan; or (vi) any other occurrence whatsoever, whether similar or dissimilar to the foregoing; whether or not Trustor shall have notice or knowledge of any of the foregoing. Except as expressly provided herein and subject to any limitation thereon provided by law, Trustor waives all rights now or hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any sum secured hereby and payable by Trustor.

1.8 Taxes and Impositions.

(a) As used herein, “*Impositions*” shall mean all applicable real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever, including, without limitation, nongovernmental levies or assessments such as maintenance charges, levies or charges resulting from covenants, conditions and restrictions affecting the Trust Estate, which are assessed or imposed upon the Trust Estate or any portion of it, or become due and payable, and which create, may create or appear to create a lien upon the Trust Estate, or any part thereof, or upon any person, property, equipment or other facility used in the operation or maintenance thereof, or any tax or assessment on the Trust Estate, or any part of it, in lieu thereof or in addition thereto, or any license fee, tax or assessment imposed on Beneficiary and measured by or based in whole or in part upon the amount of the outstanding obligations secured hereby. Trustor shall pay all Impositions prior to delinquency. Trustor shall deliver to Beneficiary proof of the payment of the Impositions within thirty (30) days after such Impositions are due.

(b) After an Event of Default that remains uncured by Trustor after any applicable notice and cure period, and upon written request by Beneficiary, Trustor shall pay to Beneficiary, unless the Property and Improvements have received an ad valorem property tax exemption pursuant to subdivision (f) or (g) of Section 214 of the California Revenue and Taxation Code, an initial cash reserve in an amount adequate to pay all Impositions for the ensuing tax fiscal year and shall thereafter continue to deposit with Beneficiary, in monthly installments, an amount equal to 1/12 of the sum of the annual Impositions reasonably estimated by Beneficiary, for the purpose of paying the installment of Impositions next due on the Property and the Improvements (funds deposited for this purpose shall hereinafter be referred to as “*Impounds*”). In such event Trustor further agrees to cause all bills, statements or other documents relating to Impositions to be sent or mailed directly to Beneficiary. Upon receipt of such bills, statements or other documents, and providing Trustor has deposited sufficient Impounds with Beneficiary pursuant to this Section 1.8(b), Beneficiary shall timely pay such amounts as may be due thereunder out of the Impounds so deposited with Beneficiary. If at any time and for any reason the Impounds deposited with Beneficiary are or will be insufficient to pay such amounts as may then or subsequently be due, Beneficiary may notify Trustor and upon such notice Trustor shall deposit immediately an amount equal to such deficiency with Beneficiary. If after the payment of the Impositions there shall be an excess amount held by Beneficiary, such excess amount shall be promptly refunded to Trustor in any reasonable manner and in such amount as Beneficiary may elect. Beneficiary shall not commingle Impounds with its own funds and shall be obligated to pay any interest on any Impounds held by Beneficiary pending disbursement or application hereunder.

(c) Trustor shall not suffer, permit or initiate the joint assessment of any real and personal property which may constitute any portion of the Trust Estate or suffer, permit or initiate any other procedure whereby the lien of the real property taxes and the lien of the personal property taxes shall be assessed, levied or charged to the Trust Estate, or any portion of it, as a single lien.

(d) If requested by Beneficiary, Trustor shall cause to be furnished to Beneficiary a tax reporting service covering the Property and the Improvements of the type, duration and with a company satisfactory to Beneficiary.

(e) If, by the laws of the United States of America, or of the State of California or any political subdivision thereof having jurisdiction over Trustor, Beneficiary or the Trust Estate or any portion thereof, any tax, assessment or other payment is due or becomes due in respect of the issuance of the Note or the recording of this Deed of Trust, Trustor covenants and agrees to pay each such tax, assessment or other payment in the manner required by any such law. Trustor further covenants to defend and hold harmless and agrees to indemnify Beneficiary, its successors or assigns, against any liability incurred by reason of the imposition of any tax, assessment or other payment on the issuance of the Note or the recording of this Deed of Trust.

1.9 **Utilities.** Trustor shall pay or shall cause to be paid when due all utility charges which are incurred by Trustor for the benefit of the Property or the Improvements and all other assessments or charges of a similar nature, whether or not such charges are or may become liens thereon.

1.10 **Actions Affecting Trust Estate.** Trustor shall promptly give Beneficiary written notice of and shall appear in and contest any action or proceeding purporting to affect any portion of the Trust Estate or the security hereof or the rights or powers of Beneficiary or Trustee; and shall pay all costs and expenses, including the cost of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear.

1.11 **Actions By Trustee or Beneficiary to Preserve Trust Estate.** During the continuation of an event of default, Beneficiary and/or Trustee, each in its own discretion, without obligation so to do, without releasing Trustor from any obligation, and without notice to or demand upon Trustor, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. In connection therewith (without limiting their general powers, whether conferred herein, in any other Loan Documents or by law), Beneficiary and Trustee shall have and are hereby given the right, but not the obligation, (a) to enter upon, subject to the rights of tenants, and take possession of the Property and the Improvements; (b) to make additions, alterations, repairs and improvements to the Property and the Improvements which they or either of them may reasonably consider necessary or proper to keep the Property or the Improvements in good condition and repair; (c) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of either may affect or appears to affect the security of this Deed of Trust or be prior or superior hereto; and (e) in exercising such powers, to pay necessary expenses, including reasonable attorneys' fees and costs or other necessary or desirable consultants. Trustor shall, immediately upon demand therefor by Beneficiary and Trustee or either of them, pay to Beneficiary and Trustee an amount equal to all respective costs and expenses incurred by such party in connection with the exercise of the foregoing rights, including, without limitation, reasonable costs of evidence of title, court costs, appraisals, surveys and receiver's, trustee's and reasonable attorneys' fees, together with interest thereon from the date of such expenditures at the Default Rate.

1.12 **Transfer of Trust Estate by Trustor.** Subject to the provisions of the Loan Agreement, in the event the Trust Estate or any part thereof, or any interest therein is sold, transferred or leased in violation of Section 2 of the Loan Agreement, Beneficiary shall have the absolute right at its option, upon notice and demand in accordance with Section 9 of the Loan Agreement, to declare all sums secured hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. As a condition of the Authority Loan, Trustor agrees for itself, its successors and assigns that the use of the Property shall be subject to the restrictions on rent and occupancy and use of the Property set forth in the Loan Documents, including, without limitation, the Regulatory Agreement.

1.13 **Survival of Warranties.** All representations, warranties and covenants of Trustor contained in the Loan Documents or incorporated by reference therein expressly stated to survive the execution and delivery of this Deed of Trust, shall survive the execution and delivery of this Deed of Trust and shall remain continuing obligations, warranties and representations of Trustor so long as any portion of the obligations secured by this Deed of Trust remains outstanding.

1.14 **Eminent Domain.**

(a) Subject to the provisions of any senior liens, in the event that any proceeding or action be commenced for the taking of the Trust Estate, or any part thereof or interest therein, for public or quasi-public use under the power of eminent domain, condemnation or otherwise, or if the same be taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner, or should Trustor receive any notice or other information regarding such proceeding, action, taking or damage, Trustor shall give prompt written notice thereof to Beneficiary. Beneficiary shall be entitled at its option, without regard to the adequacy of its security, to commence, appear in and prosecute in its own name any such action or proceeding so long as the probable compensation exceeds \$50,000. All compensation, awards, damages, rights of action and proceeds awarded to Trustor by reason of any such taking or damage shall hereinafter be referred to as the “***Condemnation Proceeds,***” and after deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including reasonable attorneys’ fees, incurred by it in connection with any such action or proceeding, subject to any applicable terms of the Loan Agreement, Trustor shall apply all such Condemnation Proceeds to the restoration of the Improvements, provided that (i) the taking or damage will not, in Trustor’s reasonable judgment, materially and adversely affect the contemplated use and operation of Property and the Improvements.

(b) If any one or more of such conditions is not met, Trustor shall apply all of the Condemnation Proceeds, after deductions as herein provided, to the repayment of the outstanding balance of the Note, together with all accrued interest thereon, notwithstanding that the outstanding balance may not be due and payable; and Beneficiary shall have no further obligation to make disbursements pursuant to the Loan Agreement or the other Loan Documents. If the Condemnation Proceeds are not sufficient to repay the Note in full, Trustor shall have no obligation to pay any remaining balance. Application or release of the Condemnation Proceeds as

provided herein shall not cure or waive any Event of Default or notice of default hereunder or under any other Loan Document or invalidate any act done pursuant to such notice.

1.15 **Additional Security.** No other security now existing, or hereafter taken, to secure the obligations secured hereby shall be impaired or affected by the execution of this Deed of Trust and all additional security shall be taken, considered and held as cumulative. The taking of additional security, execution of partial releases of the security, or any extension of the time of payment of the indebtedness shall not diminish the force, effect or lien of this Deed of Trust and shall not affect or impair the liability of any Trustor, surety or endorser for the payment of the indebtedness. In the event Beneficiary at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before, concurrently, or after a sale is made hereunder.

1.16 **Successors and Assigns.** This Deed of Trust 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 of the Note, whether or not named as Beneficiary herein. In exercising any rights hereunder or taking any actions provided for herein, Beneficiary may act through its employees, agents or independent contractors authorized by Beneficiary.

1.17 **Inspections.** Beneficiary, or its agents, representatives or employees, are authorized, subject to the rights of tenants, to enter upon or in any part of the Property and the Improvements at any reasonable time following reasonable written notice of no less than 48 hours’ in advance thereof for the purpose of inspecting the same and for the purpose of performing any of the acts it is authorized to perform hereunder or under the terms of any of the Loan Documents. Without limiting the generality of the foregoing, Trustor agrees that Beneficiary will have the same right, power and authority to enter and inspect the Property and the Improvements as is granted to a secured lender under Section 2929.5 of the California Civil Code, and that Beneficiary will have the right to appoint a receiver to enforce this right to enter and inspect the Property and the Improvements to the extent such authority is provided under California law, including the authority given to a secured lender under Section 564(c) of the California Code of Civil Procedure.

1.18 **Liens.** Trustor shall pay and promptly discharge, at Trustor’s cost and expense, all liens, encumbrances and charges upon the Trust Estate, or any part thereof or interest therein, subject to Trustor’s right to contest in good faith any such liens, encumbrances and charges. The Trustor shall remove or have removed any levy or attachment made on any of the Property or any part thereof, or assure the satisfaction thereof within a reasonable time. Despite the foregoing, Trustor shall not be required to prepay any consensual lien or encumbrance against the Trust Estate which has been consented to in writing by Beneficiary. If Trustor shall fail to remove and discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien, encumbrance or charge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or by procuring such discharge in such manner as is or may be prescribed by law. Trustor shall, immediately upon demand therefor by Beneficiary, pay to Beneficiary an amount equal to all costs and expenses incurred by Beneficiary in connection with the exercise by

Beneficiary of the foregoing right to discharge any such lien, encumbrance or charge, together with interest thereon from the date of such expenditure at the Default Rate.

1.19 **Trustee's Powers.** At any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Note secured hereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of the Trust Estate, Trustee may (a) reconvey any part of the Trust Estate, (b) consent in writing to the making of any map or plat thereof, (c) join in granting any easement thereon, or (d) join in any extension agreement or any agreement subordinating the lien or charge hereof.

1.20 **Beneficiary's Powers.** Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Trust Estate not then or theretofore released as security for the full amount of all unpaid obligations, Beneficiary may, from time to time and without notice (a) release any person so liable, (b) extend the maturity or alter any of the terms of any such obligation, (c) grant other indulgences, (d) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel, portion or all of the Trust Estate, (e) take or release any other or additional security for any obligation herein mentioned, or (f) make compositions or other arrangements with debtors in relation thereto.

1.21 **Personal Liability.** The loan secured by this Deed of Trust shall be nonrecourse to Beneficiary, and neither the Trustor nor any partner or officer of the Trustor shall have any direct or indirect personal liability for payment of the principal of, or interest on, the Note. The sole recourse of the Beneficiary with respect to the principal of, or interest on, the Note shall be to the Property securing the indebtedness evidenced by the Note; provided, however, that nothing contained in the foregoing limitation of liability shall (a) limit or impair the enforcement against all such security for the Note of all the rights and remedies of the Beneficiary, or (b) be deemed in any way to impair the right of the Beneficiary to assert the unpaid principal amount of the Promissory Note as a demand for money within the meaning and intendment of Section 431.70 of the California Code of Civil Procedure or any successor provision thereto. The foregoing limitation of liability is intended to apply only to the obligation for the repayment of the principal of, and payment of interest on the Promissory Note; nothing contained therein is intended to relieve the Trustor and, if Trustor is a partnership, any general partner of Trustor of liability for (i) fraud or willful misrepresentation; (ii) the failure to pay taxes, assessments or other charges which may create liens on the real property described in the Loan Documents that are payable or applicable prior to any foreclosure under this Deed of Trust (to the full extent of such taxes, assessments or other charges); (iii) the retention of any rental income or other income arising with respect to the Project collected by Trustor after the Beneficiary has given any notice that Trustor is in default to the full extent of the rental income or other income retained and collected by Trustor after the giving of any such notice; (iv) the fair market value as of the time of the giving of any notice referred to in subparagraph (iii) above of any personal property or fixtures removed or disposed of by Trustor other than in accordance with the Loan Documents after the giving of any notice referred to above; and (v) the misapplication of any proceeds under any insurance policies or awards resulting from condemnation or the exercise of the power of eminent domain or by reason

of damage, loss or destruction to any portion of the Project; and (vi) breach of any environmental covenant or representation made by the Trustor relating to the Project.

1.22 **Indemnity**. In addition to any other indemnities to Beneficiary specifically provided for in this Deed of Trust and/or in the Loan Agreement, Trustor hereby indemnifies, and shall defend and save harmless, Beneficiary and its authorized representatives from and against any and all losses, liabilities, suits, obligations, fines, damages, penalties, claims, costs, charges and expenses, including, without limitation, reasonable attorneys' fees and all costs which may be imposed upon, incurred by or asserted against Beneficiary by reason of: (a) the construction of any improvements on the Property, (b) any capital improvements, other work or things done in, on or about the Property or any part thereof, (c) any use, nonuse, misuse, possession, occupation, alteration, operation, maintenance or management of any portion of the Trust Estate or any part thereof or any street, drive, sidewalk, curb, passageway or space comprising apart thereof or adjacent thereto, (d) any gross negligence or willful act or omission on the part of Trustor and its agents, contractors, servants, employees, licensees or invitees, (e) any accident, injury (including death) or damage to any person or property occurring in, on or about the Property or any part thereof, (f) any lien or claim which may be alleged to have arisen on, against, or with respect to any portion of the Trust Estate under the laws of the local or state government or any other governmental or quasi-governmental authority or any liability asserted against Beneficiary with respect thereto, (g) any tax attributable to the execution, delivery, filing or recording of this Deed of Trust, the Note or the Loan Agreement, (h) any contest due to Trustor's actions or failure to act, permitted pursuant to the provisions of this Deed of Trust, (i) subject to the nonrecourse provisions set forth in Section 1.21, any Event of Default under the Note, the Regulatory Agreement, this Deed of Trust or the Loan Agreement, or (j) any claim by or liability to any contractor or subcontractor performing work or any party supplying materials in connection with the Property or the Improvements, except in all events to the extent caused by the negligence or willful misconduct Beneficiary, its commissioner's, officers, agents or employees.

ARTICLE 2. ASSIGNMENT OF RENTS, ISSUES AND PROFITS

2.1 **Assignment**. Trustor hereby irrevocably, absolutely, presently and unconditionally assigns and transfers to Beneficiary all the Rents of or from any portion of the Trust Estate, and hereby gives to and confers upon Beneficiary the right, power and authority to collect such Rents. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in the name of Trustor, Trustee or Beneficiary, for all such Rents, and apply the same to the indebtedness secured hereby; provided, however, that so long as an Event of Default shall not have occurred hereunder and be continuing beyond any applicable notice and cure period, Trustor shall have the right to collect such Rents. Upon the request of Beneficiary, Trustor shall execute and deliver to Beneficiary, in recordable form, a specific assignment of any leases now or hereafter affecting the Trust Estate or any portion thereof to evidence further the assignment hereby made. The Assignment of Rents in this Article 2 is intended to be an absolute assignment from Trustor to Beneficiary and not merely an assignment for security only.

2.2 **Election of Remedies.** Subject to Trustor's right to collect the Rents pursuant to Section 2.1, Beneficiary may subject to the rights of any tenants, either in person, by agent or by a receiver appointed by a court, enter upon and take possession of all or any portion of the Property and the Improvements, enforce all Leases, in its own name sue for or collect all Rents, including those past due and unpaid, and apply the same to the costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, and to any indebtedness then secured hereby, in such order as Beneficiary may determine. The collection of such Rents, or the entering upon and taking possession of the Property or the Improvements, or the application thereof as provided above, shall not cure or waive any Event of Default or notice of default hereunder or under any of the Loan Documents or invalidate any act done in response to such Event of Default or pursuant to such notice of default.

ARTICLE 3. REMEDIES UPON DEFAULT

3.1 **Events of Default; Cure.** For all purposes hereof, the term "*Event of Default*" shall mean (a) at Beneficiary's option, the failure of Trustor to pay any amount due hereunder or under the Note when the same is due and payable, whether by acceleration or otherwise; (b) the failure of Trustor to perform any non-monetary obligation hereunder, or the failure to be true in any material respect when made of any representation or warranty of Trustor contained herein, without curing such failure within ten (10) days after receipt of written notice from the Authority (or from any party authorized by the Authority to deliver such notice as identified by the Authority in writing to Trustor) for a monetary default and thirty (30) days for a non-monetary default, and the continuance of such failure for thirty (30) days after notice; provided, however, if the non-monetary default is of the type that cannot reasonably be cured within thirty (30) days, Trustor shall have such additional time as may be reasonably necessary to cure such default if Trustor commences to cure such default within such thirty (30) day period and thereafter diligently prosecutes such cure to completion, or (c) the existence of any Event of Default under the Loan Documents that is continuing beyond any applicable notice and cure period.

3.2 **Acceleration Upon Default, Additional Remedies.** Upon the occurrence and continuance of an Event of Default beyond any applicable notice and cure period, Beneficiary may, at its option, declare all indebtedness secured hereby to be immediately due and payable upon notice and demand. Thereafter Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, subject to the rights of tenants enter upon and take possession of the Property and the Improvements, or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of any portion of the Trust Estate, including, without limitation (i) taking possession of Trustor's books and records with respect to the Property and Improvements, (ii) completing the construction of the Improvements, (iii) maintaining or repairing the Improvements or any other portion of the Trust Estate, (iv) increasing the income from the Trust Estate, with or without taking possession of the Property or the Improvements, (v) entering into, modifying, or enforcing Leases, (vi) suing for or otherwise collecting the Rents or other amounts owing to Trustor, including those past due and

unpaid, and (vii) applying the same, less costs and expenses of operation and collection including, without limitation, reasonable attorneys' fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property or the Improvements, the collection of such Rents and the application thereof as provided above shall not cure or waive any Event of Default under the Loan Documents or this Deed of Trust or notice of default hereunder;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of default and demand for sale and a written notice of default and election to cause Trustor's interest in the Trust Estate to be sold, which notice Trustee or Beneficiary shall cause to be duly filed of record in the Official Records of the county in which the Property is located; or

(d) Exercise all other rights and remedies provided herein, in any of the Loan Documents or other document now or hereafter securing all or any portion of the obligations secured hereby, or by law.

3.3 **Foreclosure by Power of Sale.** Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require.

(a) Beneficiary or Trustee shall give such notice of default and election to sell as is then required by applicable law. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale having been given as required by law, sell the Trust Estate at the time and place of sale fixed by it in the notice of sale, either as a whole, or in separate lots or parcels or items as Beneficiary shall deem expedient, 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 the time of sale. Trustee shall deliver to such purchaser or purchasers thereof a trustee's deed conveying the property so sold, which shall not contain 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, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale and Beneficiary shall be entitled to pay the purchase price by crediting the purchase price of the property against the obligations secured hereby. Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

(b) After deducting all costs, fees and expenses of Trustee and of this Trust, including costs of evidence of title in connection with sale, Trustee shall apply the proceeds of sale in the following priority, to payment of: (i) first, all sums expended under the terms hereof: not then repaid, with accrued interest at the Default Rate;(ii) second, all other sums then secured hereby; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

(c) Subject to California Civil Code 2924g, Trustee may postpone sale of all or any portion of the Trust Estate by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement or subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

3.4 **Appointment of Receiver.** Upon the occurrence and continuance of an Event of Default hereunder, Beneficiary, as a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Trust Estate or the adequacy for any security for the obligations then secured hereby, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Trust Estate, and Trustor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided herein.

3.5 **Remedies Not Exclusive.** Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Deed of Trust or under any Loan Documents or other agreement or any laws now or hereafter in force, notwithstanding some or all of the indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustee or Beneficiary, it being agreed that Trustee and Beneficiary, and each of them, shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary or Trustee in such order and manner as they or either of them may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Documents to Trustee or Beneficiary or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary and either of them may pursue inconsistent remedies.

3.6 **Request for Notice.** Trustor hereby requests a copy of any notice of default and that any notice of sale hereunder be mailed to it at the address set forth in Section 4.3 of this Deed of Trust.

3.7 **Forbearance by Lender Not a Waiver.** Any forbearance by Beneficiary in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any right or remedy. The acceptance by Beneficiary of payment of any sum secured by this Deed of Trust after the due date of such payment shall not be a waiver of Beneficiary's right either to require prompt payment when due of all other sums so secured or to declare an Event of Default for failure to make prompt payment. The procurement of insurance or this payment of taxes or other liens or charges by Beneficiary shall not be a waiver

of Beneficiary's right to accelerate the maturity of the indebtedness secured by this Deed of Trust nor shall Beneficiary's receipt of any awards, proceeds or damages under this Deed of Trust operate to cure or waive any Event of Default with respect to any payment secured by this Deed of Trust.

3.8 **Environmental Provisions.** Without limiting any of the remedies provided in the Loan Documents, Trustor acknowledges and agrees that portions of Section 4 of the Loan Agreement and Section 1.2 of this Deed of Trust are environmental provisions (as defined in Section 736(t)(2) of the California Code of Civil Procedure) made by the Trustor relating to the real property security (the "***Environmental Provisions***"), and that Trustor's failure to comply with the Environmental Provisions is a breach of contract such that Beneficiary shall have the remedies provided under Section 736 of the California Code of Civil Procedure ("***Section 736***") for the recovery of damages and for the enforcement of the Environmental Provisions. Pursuant to Section 736, Beneficiary's action for recovery of damages or enforcement of the Environmental Provisions shall not constitute an action within the meaning of Section 726(a) of the California Code of Civil Procedure or constitute a money judgment for a deficiency or a deficiency judgment within the meaning of Sections 580a, 580b, 580d, or 726(b) of the California Code of Civil Procedure. Other than the remedy provided under Section 736, all remedies provided for by the Loan Documents are separate and distinct causes of action that are not abrogated, modified, limited or otherwise affected by the remedies provided under Section 736(a) of the California Code of Civil Procedure.

ARTICLE 4. MISCELLANEOUS

4.1 **Amendments.** This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

4.2 **Trustor Waiver of Rights.** Trustor waives to the extent permitted by law, (a) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisal before sale of any portion of the Trust Estate, (b) all rights of redemption, valuation, appraisal, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshalling in the event of foreclosure of the liens hereby created, (c) all rights and remedies which Trustor may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties, (d) the right to assert any statute of limitations as a bar to the enforcement of the lien of this Deed of Trust or to any action brought to enforce the Loan Agreement or any other obligation secured by this Deed of Trust, and (e) any rights, legal or equitable, to require marshalling of assets or to require upon foreclosure sales in a particular order, including any rights under California Civil Code Sections 2899 and 3433. Beneficiary shall have the right to determine the order in which any or all of the Trust Estate shall be subjected to the remedies provided herein. Beneficiary shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Nothing contained herein shall be deemed to be a waiver of Trustor's rights under Section 2924c of the California Civil Code.

4.3 **Notices.** All notices and demands given under the terms hereof shall be in writing and sent by first-class registered or certified mail, postage prepaid, return receipt requested, or by private courier service which provides evidence of delivery. Unless a different address is given by any party as provided in this Section, all such communication will be addressed as follows:

If to Trustor:	Mission Heritage LP c/o Wakeland Housing and Development Corporation 1230 Columbia Street San Diego, CA 92101 Attn: Kenneth L. Sauder
With copies to:	Downs Pham & Kuei LLP One Embarcadero Center, Suite 500 San Francisco, CA 94111 Attn: Gary P. Downs, Esq.
If to Beneficiary:	Housing Authority of the City of Riverside Attn: Executive Director 3900 Main Street Riverside, California 92522
Copies to:	City of Riverside Attn: City Attorney 3900 Main Street Riverside, California 92522

Any Notice shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent. Any address for service of notice on any party may be changed by that party serving a notice upon the other of the new address, except that any change of address to a post office box shall not be effective unless a street address is also specified for use in effectuating personal service.

4.4 **Acceptance by Trustee.** Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

4.5 **Captions.** The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

4.6 **Invalidity of Certain Provisions.** Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal, invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

4.7 **Subrogation.** To the extent that proceeds of the Note are used to pay any outstanding lien, charge or prior encumbrance against the Trust Estate, such proceeds have been or will be advanced by Beneficiary at Trustor's request and Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether the liens, charges or encumbrances are released.

4.8 **Attorneys' Fees.** If any payment secured hereby is not paid when due, Trustor promises to pay all costs of enforcement and collection, including, but not limited to, reasonable attorneys' fees, whether or not such enforcement and collection includes the filing of a lawsuit. As used herein, the terms "attorneys' fees" or "attorneys' fees and costs" shall mean the fees and expenses of counsel to the parties hereto (including, without limitation, in-house counsel employed by Beneficiary) which may include printing, duplicating and other expenses, air freight charges, and fees billed for law clerks, paralegals and others not admitted to the bar but performing services under the supervision of an attorney. The terms "attorneys' fees" or "attorneys' fees and costs" shall also include, without limitation, all such fees and expenses incurred with respect to appeals, arbitrations and bankruptcy proceedings, and whether or not any action or proceeding is brought with respect to the matter for which said fees and expenses were incurred.

4.9 **No Merger of Lease.** If both the lessor's and lessee's estate under any lease or any portion thereof which now or hereafter constitutes a part of the Trust Estate shall at any time become vested in one owner, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger unless Beneficiary so elects as evidenced by recording a written declaration so stating, and, unless and until Beneficiary so elects, Beneficiary shall continue to have and enjoy all of the rights and privileges of Beneficiary as to the separate estates. In addition, upon the foreclosure of the lien created by this Deed of Trust on the Trust Estate pursuant to the provisions hereof, any leases or subleases then existing and affecting all or any portion of the Trust Estate shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at such foreclosure sale shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice thereof to such tenant or subtenant.

4.10 **Governing Law.** This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California.

4.11 **Joint and Several Obligations.** Should this Deed of Trust be signed by more than one party, all obligations herein contained shall be deemed to be the joint and several obligations of each party executing this Deed of Trust. Any married person signing this Deed of Trust agrees that

4.12 **Interpretation.** In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and neutral and vice versa, if the context so requires.

4.13 **Completion of Construction.** This Deed of Trust is a construction deed of trust within the meaning of California Commercial Code Section 9313. For purposes of subdivision (6) of that statute, "completion of construction" shall not be deemed to occur prior to

completion of all work as evidenced by a certificate of occupancy or equivalent document from the jurisdiction, and installation or incorporation into the Improvements of all materials, for which sums secured hereby are disbursed by Beneficiary.

4.14 **Reconveyance by Trustee.** Upon written request of Beneficiary stating that all sums secured hereby have been paid or that all obligations under the Regulatory Agreement have been satisfied, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment by Trustor of Trustee's fees, Trustee shall reconvey to Trustor, or to the person or persons legally entitled thereto, without warranty, any portion of the Trust Estate then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto." Such grantee shall pay Trustee a reasonable fee and Trustee's costs incurred in so reconveying the Trust Estate.

4.15 **Counterparts.** This document may be executed and acknowledged in counterparts, all of which executed and acknowledged counterparts shall together constitute a single document. Signature and acknowledgment pages may be detached from the counterparts and attached to a single copy of this document to physically form one document, which may be recorded.

4.16 **Nonforeign Entity.** Section 1445 of the Internal Revenue Code of 1986, as amended (the "***Code***") and Sections 18805, 18815 and 26131, as applicable, of the California Revenue and Taxation Code ("***CRTC***") provide that a transferee of a U.S. real property interest must withhold tax, in the case of the Code, if the transferor is a foreign person, or if, in the case of the CRTC, the transferor is not a California resident. To inform Beneficiary that the withholding of tax will not be required in the event of the disposition of the Property or the Improvements, or any portion thereof or interest therein, pursuant to the terms of this Deed of Trust, Trustor hereby certifies, under penalty of perjury, that: (a) Trustor is not a foreign corporation, foreign partnership, foreign trust or foreign estate, as those terms are defined in the Code and the regulations promulgated thereunder; and (b) Trustor's U.S. employer identification number 90-1001541; and (c) Trustor's principal place of business is 1230 Columbia Street, San Diego, CA 92101. It is understood that Beneficiary may disclose the contents of this certification to the Internal Revenue Service and the California Franchise Tax Board, and that any false statement contained herein could be punished by fine, imprisonment or both. Trustor covenants and agrees to execute such further certificates, which shall be signed under penalty of perjury, as Beneficiary shall reasonably require. The covenant set forth herein shall survive the foreclosure of the lien of this Deed of Trust or acceptance of a deed in lieu thereof.

4.17 **Substitute Trustee.** Beneficiary at any time and from time to time, by instrument in writing, may substitute and appoint a successor Trustee (either corporate or individual) to any Trustee named herein or previously substituted hereunder, which instrument when executed, acknowledged, and recorded in the Official Records of the Office of the Recorder of the county or counties where the Property is located shall be conclusive proof of the proper substitution and appointment of each successor trustee or trustees, who shall then have all the title, powers, duties and rights of the predecessor Trustee, without the necessity of any conveyance from such predecessor. Trustee shall not be obligated to notify any party hereto of pending sale under

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

4.18 **Fixture Filing.** This Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder in the county in which the Property is located with respect to any and all fixtures included within the term "Trust Estate" as used herein and with respect to any goods or other personal property that may now be or hereafter become such fixtures.

4.19 **Waiver of Jury Trial.** TO THE EXTENT PERMITTED BY LAW, TRUSTOR AND BENEFICIARY EACH HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS DEED OF TRUST OR ANY OTHER LOAN DOCUMENTS OR RELATING THERETO OR ARISING FROM THE RELATIONSHIP WHICH IS THE SUBJECT OF THE LOAN AGREEMENT AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

TRUSTOR ACKNOWLEDGES RECEIPT OF A TRUE COPY OF THIS DEED OF TRUST WITHOUT CHARGE.

TRUSTOR PLEASE NOTE: UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, CALIFORNIA PROCEDURE PERMITS TRUSTEE TO SELL THE TRUST ESTATE AT A SALE HELD WITHOUT SUPERVISION BY ANY COURT AFTER EXPIRATION OF A PERIOD PRESCRIBED BY LAW. UNLESS YOU PROVIDE AN ADDRESS FOR THE GIVING OF NOTICE, YOU MAY NOT BE ENTITLED TO NOTICE OF THE COMMENCEMENT OF ANY SALE PROCEEDINGS. BY EXECUTION OF THIS DEED OF TRUST, YOU CONSENT TO SUCH PROCEDURE. BENEFICIARY URGES YOU TO GIVE PROMPT NOTICE OF ANY CHANGE IN YOUR ADDRESS SO THAT YOU MAY RECEIVE PROMPTLY ANY NOTICE GIVEN PURSUANT TO THIS DEED OF TRUST.

4.20 **Request For Notice.** Pursuant to California Government Code Section 27321.4(b) Trustor hereby requests that a copy of any notice of default or notice of sale given under this Deed of Trust be mailed to Trustor at the address for Trustor set forth herein.

4.21 **Reconveyance.** Except upon the Event of Default by Trustor, Beneficiary shall reconvey this Deed of Trust upon termination of the Affordability Period as that term is defined in the Loan Agreement.

4.22 **Subordination.** This Deed of Trust and the provisions contained herein shall be subordinate to any senior financing approved by Beneficiary in accordance with the Loan Agreement and such exceptions to title shown in the title report for the Property which are approved in writing.

4.23 **Tax Credit Provisions.** Notwithstanding anything to the contrary contained herein or in any documents secured by this Deed of Trust or contained in any subordination agreement, and to the extent applicable, the Beneficiary acknowledges and agrees

that in the event of a foreclosure or deed-in-lieu of foreclosure (collectively, "Foreclosure") with respect to the Security encumbered by this Deed of Trust, the following rule contained in 26 U.S.C. Section 42(h)(6)(E)(ii), as amended, applies:

For a period of three (3) years from the date of Foreclosure, with respect to an existing tenant of any low-income unit, (i) such tenant may not be subject to eviction or termination of their tenancy (other than for good cause), (ii) nor may such tenant's gross rent with respect to such unit be increased, except as otherwise permitted under Section 42 of the Internal Revenue Code of 1986, as amended.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the day and year first above written.

TRUSTOR:

MISSION HERITAGE LP,
a California limited partnership

By: Wakeland Mission Heritage LLC,
a California Limited Liability Company,
its Managing General Partner

By: Wakeland Housing and Development Corporation,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Kenneth L. Sauder, President

By: _____ LLC,
a _____ limited liability company,
its Co-General Partner

By: Fair Housing Council of Riverside County,
a California nonprofit public benefit
corporation

By: _____
Name: _____
Its: _____

EXHIBIT A

LEGAL DESCRIPTION

[Attached]

ATTACHMENT NO. 9

AUTHORITY REGULATORY AGREEMENT

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)

)
)
Housing Authority of the City of Riverside)
3900 Main Street)
Riverside, CA 92522)
Attn: Executive Director)
)
Project: Mission Heritage)

(Space above for Recorder's Use Only)

This document is exempt from the payment of a recording fee
pursuant to Government Code Section 27383.

REGULATORY AGREEMENT

THIS REGULATORY AGREEMENT ("**Regulatory Agreement**") is entered into the day of _____, 2017, by and between the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public body corporate and politic (the "**Authority**") and MISSION HERITAGE LP, a California limited partnership ("**Developer**").

RECITALS

Capitalized terms used in these recitals and not otherwise defined shall have the meaning set forth in Section 1 of this Regulatory Agreement.

A. The Authority is a public body corporate and politic established by action of the City Council of the City of Riverside pursuant to Resolution No. 21275 for the purpose of providing affordable housing opportunities through a variety of programs within the City of Riverside and exercising governmental functions and powers pursuant to the California Housing Authorities Law (California Health and Safety Code § 34200, *et seq.*, the "**Housing Authority Law**").

B. The sole member and manager of Developer's managing general partner is an experienced affordable housing developer.

C. The Authority has established certain sources of funding for the purpose of increasing, improving and preserving the community's supply of housing available to low and moderate income households at an affordable housing cost.

D. In furtherance of the Authority's affordable housing goals and activities, Authority and Developer have entered into that certain Loan Agreement dated for identification purposes

only as of _____, 2017 (the “*Loan Agreement*”), which is incorporated herein by this reference and a copy of which is on file as public record of the Authority at its offices located at 3900 Main Street, Riverside, CA 92522. Pursuant to the Loan Agreement, the Authority has agreed to provide financial assistance (the “*Authority Loan*”) to Developer in connection with the acquisition of certain real property located in the City of Riverside, as more particularly described on Exhibit A, attached hereto and incorporated herein by this reference (the “*Site*”) and the development of a mixed used development composed of approximately _____ square feet of commercial space (the “*Commercial Component*”) and a multifamily, affordable housing development consisting of approximately seventy-two (72) Affordable Units, including one (1) unrestricted Manager’s Unit, to be constructed on the Site together with any improvements appurtenant thereto (the “*Residential Component*” and together with the Commercial Component, the “*Project*”).

E. As a condition to the disbursement of the Authority Loan, the Developer has agreed to maintain and operate the Project in accordance with certain covenants, conditions and restrictions as set forth in this Regulatory Agreement. This Regulatory Agreement is intended to ensure that Developer, its successors, its assigns and every successor in interest to the Site or any part thereof, shall use, maintain and operate the Project in accordance with the terms and conditions of this Regulatory Agreement, including that the Units be made available to Qualified Households at Affordable Rent as specified herein for a term of fifty-five (55) years from the date of the recordation of the Release of Construction Covenants.

F. The provision of the Authority Loan to Developer and the completion and operation of the Project pursuant to the terms and conditions of the Loan Agreement and this Regulatory Agreement are in the vital and best interest of the City and the health, safety and welfare of its residents, and are in accord with the public purposes and provisions of applicable state and local laws, including (without limitation) the Authority’s replacement and inclusionary housing obligations pursuant to Section 33413 of the Community Redevelopment Law.

NOW, THEREFORE, the foregoing recitals are a substantive part of this Regulatory Agreement and in consideration of their mutual covenants and conditions, the Parties hereto agree as follows:

1. DEFINITIONS

The following terms of this Regulatory Agreement shall have the meanings set forth below. Any capitalized terms not defined below shall have the meaning set forth therefor in the Loan Agreement and attachments thereto:

“*Affordable Rent*” means the amount of monthly rent, including a reasonable utility allowance, that does not exceed the lesser of the maximum allowable rent to be charged by Developer and paid by Qualified Households, as the case may be, occupying the Affordable Units, as determined pursuant to (i) any applicable Tax Credit Regulatory Agreement, (ii) Section 50053 of the Health & Safety Code or any successor statute, (iii) applicable regulations pursuant to any other source of financing secured for, and continuing to be secured by, the Project, or (iv) if applicable, any effective Section 8 Program regulations as to any Affordable Unit designated as a

project-based Section 8 unit or otherwise occupied by a holder of a Rental Voucher or Rental Certificate evidencing participation in the Section 8 Program. For purposes of calculating Affordable Rent a “reasonable utility allowance” shall be the allowance established by the Tax Credit Rules or such lesser allowance reasonably permitted by the Authority.

“**Affordable Units**” means the seventy-one (71) Units, composed of one, two and three-bedroom Units required to be maintained on the Site and made available to, occupied by Qualified Households, fifty (50) Units of which shall be available to Qualified Low Income Households, and twenty-one (21) Units of which shall be available to Very Low-Income Households.

“**Affordability Period**” means the period commencing upon the recordation of the Release of Construction Covenants and terminating on the fifty-fifth (55th) anniversary thereof.

“**Authority**” means the Housing Authority of the City of Riverside, a public body, corporate and politic, exercising governmental functions and powers and organized and existing under Chapter 2 of the Community Redevelopment Law and an express third-party beneficiary to this Regulatory Agreement pursuant to Section 10 hereof.

“**City**” means the City of Riverside, a California charter city and municipal corporation.

“**Community Redevelopment Law**” means California Health & Safety Code 33000, *et seq.* “Developer” is defined in Section 1.1 of the Agreement.

“**Displaced Persons**” means any individual, partnership, limited partnership or association who is temporarily or permanently displaced from the Site due to the implementation of the Project and the Loan Agreement and who qualify as a “displaced person” pursuant to the definition provided in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Section 4601(6) and in Government Code Section 7260(c) of the California Relocation Assistance Act of 1970, as amended from time to time.

“**Effective Date**” means the Effective Date of the Loan Agreement.

“**Environmental Laws**” means any and all present and future federal, state and local laws (whether under common law, statute, ordinance, rule, regulation or otherwise), court or administrative orders or decrees, requirements of permits issued with respect thereto, and other requirements of governmental authorities relating to the environment or to any Hazardous Substance or Hazardous Substance Activity (including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. §§ 9601, *et seq.*), as heretofore or hereafter amended from time to time (“**CERCLA**”), and the applicable provisions of the California Health and Safety Code and the California Water Code, and any and all successor statutes and regulations, orders, decrees, guidelines, or pronouncements promulgated thereunder).

“Event of Default” means the failure of a party to perform any action or covenant required by this Regulatory Agreement within the time periods provided herein following notice and opportunity to cure.

“Executive Director” means the Executive Director of the Authority or his/her designated representative.

“Governmental Regulations” means any applicable local, state, and federal laws, ordinances, rules, requirements, resolutions, policy statements and regulations (including, without limitation, those relating to land use, subdivision, zoning, environmental, labor relations, prevailing wage, notification of sale to employees, Hazardous Substance, occupational health and safety, water, earthquake hazard reduction and building and fire codes) bearing on the demolition, alteration, replacement, repair, refurbishing, rehabilitation, improvement, construction, maintenance, management, use, or operation of the Project.

“Hazardous Substance” means (i) any chemical, compound, material, mixture or substance that is now or hereafter defined or listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101), as amended from time to time, or now or hereafter otherwise classified or regulated pursuant to any Environmental Laws as a “hazardous substance”, “hazardous material”, “hazardous waste”, “extremely hazardous waste”, “infectious waste”, “toxic substance”, “toxic pollutant” or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or “EP toxicity”, (ii) any asbestos or asbestos containing material, (iii) any polychlorinated biphenyls (PCB’s), (iv) any urea formaldehyde, and (v) any petroleum, natural gas, natural gas liquid, liquefied natural gas, synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas), ash produced by a resource recovery facility utilizing a municipal solid waste stream, and drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources. Notwithstanding the foregoing, “Hazardous Substances” shall not include any household cleaning supplies, chemical, compound, material, mixture or substance used in the normal course of operating an apartment complex, so long as such household cleaning supplies, chemical, compound, material, mixture or substance is used in accordance with Environmental Laws and is stored in reasonable quantities.

“Hazardous Substance Contamination” means contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Site by Hazardous Substance, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Substance at any time (whether before or after the Effective Date) emanating from the Site.

“Loan Agreement” means that certain Loan Agreement dated for identification purposes only as of as of _____, 2017, entered into by and between the Authority and Developer. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Loan Agreement.

“Management Plan” means the plan for the management of the Project to be submitted by Developer, as set forth in Section 3.C. of this Regulatory Agreement.

“Manager’s Unit” means one (1) Unit in the Project reserved for occupancy by an on-site manager of the Project who performs substantial duties directly related to the management and/or the maintenance of the Project.

“Marketing Plan” is defined in Section 5.A. of this Regulatory Agreement.

“Operating Reserve” is defined in Section 3E. of this Regulatory Agreement.

“Operating Expenses” is defined in Section 3.9 of the Authority Promissory Note.

“Parties” Authority and Developer.

“Project” has the meaning set forth in Recital D.

“Property Manager” means the manager of the Project, as set forth in Section 3C.

“Qualified Household” means a Qualified Low Income Household or Very Low Income Household.

“Qualified Low Income Household” means a Household whose gross annual income does not exceed sixty (60%) of the Riverside County median income adjusted for family size as set forth from time to time by regulation of the California Department of Housing and Community Development.

“Relocation Laws” means the California Relocation Assistance Act, California Government Code Section 7260 *et seq.* and the implementing regulations thereto in 25 California Code of Regulations Section 6000 *et seq.*, any other applicable local, state, or federal regulations relating to the provision and administration of relocation assistance and benefits to eligible persons and households who are or may be temporarily or permanently displaced from the Site due to the implementation of the Project and this Regulatory Agreement.

“Request for Notice of Default” means a request for notice of default to be recorded against the Site substantially in the form shown in Attachment No. 12 to the Loan Agreement.

“Service-Disabled Veteran Households” mean households consistent with the requirement of Civil Code Section 51.11.

“Schedule of Performance” means that certain Schedule of Performance of required actions attached to the Loan Agreement as Attachment No. 4.

“Site” means that certain real property referenced in Recital D above as delineated on the Site Plan (Attachment No. 1 to the Loan Agreement) and more particularly described on the Site Legal Description (Attachment No. 2 to the Loan Agreement).

“**TCAC**” means the California Tax Credit Allocation Committee.

“**Tax Credit Regulatory Agreement**” means that certain regulatory agreement to be recorded against the Site as a condition of the receipt by the Project of an allocation of Low Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*

“**Units**” means the individual Units within the Project to be constructed and operated by the Developer on the Site, in accordance with the terms and conditions of this Regulatory Agreement.

“**Very Low Income Household**” means a household whose gross annual income does not exceed fifty percent (50%) of the Riverside County median income adjusted for family size as set forth from time to time by regulation of the California Department of Housing and Community Development.

2. USE RESTRICTIONS

A. **Permitted Uses.** Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that Developer, and such successors and assigns, shall (i) construct, use, maintain and operate the Residential Component of the Site as a housing development containing seventy-two (72) Units; (ii) make available, restrict occupancy to, and rent at an Affordable Rent: (a) fifty (50) Qualified Low Income Households and (b) twenty-one (21) Units which shall be available to Very Low Income Households and one (1) unrestricted Manager’s Unit.

During the Affordability Period, all uses undertaken by Developer on the Site shall conform to this Regulatory Agreement and to all applicable provisions of the Riverside Municipal Code and Governmental Regulations. None of the Units on the Site shall at any time be utilized on a transient basis, nor shall the Site or any portion thereof ever be used as a hotel, motel, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home. Developer shall not convert the Site to condominium ownership during the Affordability Period without the prior written approval of Authority, which approval Authority may grant, withhold or deny in their sole and absolute discretion.

B. **Affordable Housing.** Except as provided herein below with respect to the Manager’s Unit, commencing upon and throughout the Affordability Period, Developer covenants and agrees that all of the Units in the Project shall be operated and maintained for affordable housing purposes and made available for occupancy to Qualified Households at an Affordable Rent in accordance with the provisions of this Regulatory Agreement. It is the intent of the Authority that the Affordable Units qualify as replacement housing and inclusionary housing pursuant to Section 33413 of the Community Redevelopment Law in furtherance of the Authority’s affordable housing goals and objectives and the requirements resulting from anticipated projects including demolition and new construction in the City’s redevelopment project

areas and within the territorial jurisdiction of the Authority. The Manager Unit shall be occupied without income or rent restrictions by a qualified on- site manager selected by Developer or the Property Manager.

Developer agrees to make available, restrict occupancy to, and rent at an Affordable Rent: (a) fifty (50) of the Units to Qualified Low Income Households, and (b) twenty-one (21) Units to Very Low-Income Households. One (1) Unit shall be unrestricted and reserved for occupancy by an on-site manager.

C. **Income Requirements.** Prior to leasing an Affordable Unit and annually thereafter, Developer shall certify the eligibility of each tenant applicant as a Qualified Household. The Developer shall, upon request by Authority, complete such certification on forms provided by the Authority. Developer shall submit such income certification and such additional information as may be required in the future by Authority. Such supporting documentation shall include true copies of income tax returns from the tenant applicant for the most recent tax year in which a return was filed and at least one of the following:

(1) two (2) paycheck stubs from the tenant's two (2) most recent pay periods;

(2) an income verification certification from the tenant's employer;

(3) an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, or

(4) an alternate form of income verification reasonably requested by City or Authority if none of the above forms of verification is available to Developer.

D. **Determination of Affordable Rent.** All Affordable Units shall be rented at an Affordable Rent.

(1) **Rent Schedule and Utility Allowance.** TCAC (or, if TCAC fails to do so, the Authority) will establish maximum monthly allowances for utilities and services to be used by the Developer in calculating Affordable Rent. The Developer shall submit to the Housing Project Manager for review and approval the Affordable Rent proposed by Developer for all of the Units. The maximum monthly rent must be recalculated by Developer and reviewed and approved by the Authority annually.

(2) **Increases in Tenant Income.** Dwelling units shall qualify as Units as required by this Regulatory Agreement despite a temporary noncompliance with this Section D, if the noncompliance is caused by increases in the incomes of existing tenants and if actions satisfactory to Authority are being taken to ensure that all vacancies are filled in accordance with this Section until the noncompliance is corrected. A Qualified Household that qualifies as a Qualified Household prior to occupancy of a Unit shall be deemed to continue to be so qualified

until such time as recertification of such Qualified Household's income demonstrates that such Qualified Household no longer qualifies as a Qualified Household.

A Qualified Household occupying a Unit whose income increases to an amount that exceeds the maximum qualifying income of a Very Low Income Household may continue to occupy his or her Unit and be charged rent, including a reasonable utility allowance, equal to the lesser of (i) Affordable Rent for a Qualified Low Income Household; (ii) the maximum allowable rent determined pursuant to the Tax Credit Regulatory Agreement; or (iii) applicable Section 8 rents if the Qualified Household receives Section 8 Program assistance.

(3) Adjustment of Affordable Rent. Affordable Rent may change as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance for utilities and services warrant. Any increase in rents is subject to the provisions of outstanding leases. Developer must provide Qualified Households occupying the Units not less than thirty (30) days prior written notice before implementing any rent increase.

E. **Tenant Protections.**

(1) Rental Agreement/Lease. The Developer shall execute or cause to be executed a written rental agreement/lease with each Qualified Household occupying a Unit identifying by name all permitted occupants. The rental agreement/lease must be in a form reasonably approved by the Authority and must be for not less than six (6) months, unless otherwise mutually agreed by the tenant and the Developer.

(2) Prohibited Rental Agreement/Lease Terms. The rental agreement/lease shall not contain any of the following provisions:

a. Agreement to be sued. Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Developer in a lawsuit brought in connection with the lease;

b. Treatment of property. Agreement by tenant that the Developer may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the Unit after the tenant has moved out of the Unit. The Developer may dispose of this personal property in accordance with state law;

c. Excusing Developer from responsibility. Agreement by the tenant not to hold Developer or Developer's agents legally responsible for any action or failure to act, whether intentional or negligent;

d. Waiver of notice. Agreement of the tenant that the Developer may institute a lawsuit without notice to the tenant;

e. Waiver of legal proceedings. Agreement by the tenant that the Developer may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

f. Waiver of a jury trial. Agreement by the tenant to waive any right to a trial by jury;

g. Waiver of right to appeal court decision. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

h. Tenant chargeable with cost of legal actions regardless of outcome. Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

F. **Termination of Tenancy.** The Developer may not terminate the tenancy of a tenant of the Project except for an uncured violation(s) of the terms and conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause. Any termination or refusal to renew must be preceded by not less than thirty (30) days' notice by the Developer's service upon the tenant of a written notice specifying the grounds for the action.

G. **Tenant Selection.** Developer must adopt written tenant selection policies and criteria approved by the Authority that:

a. Are consistent with the purpose of providing housing for Qualified Households;

b. Provide for:

(i) The selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

(ii) The prompt written notification to any rejected applicant of the grounds for any rejection.

H. **Compliance with Use and Occupancy Laws.** Developer agrees that for each lease, the Developer shall comply with all applicable state and local laws, statutes, ordinances, rules and regulations, which in any way restrict the use and occupancy and resale of the Site.

I. **Nondiscrimination.** There shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, sexual orientation, gender, gender identity, gender expression, marital status, national origin, ancestry, or disability in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of any Unit nor shall

the Developer establish or permit any such practice or practices of discrimination or segregation with reference to the location, subtenants, or vendees of any Unit or in connection with the employment of persons for the operation and management of the Site. All deeds, rental agreements, leases or contracts made or entered into by the Developer as to the Units or the Site or portion thereof, shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(1) In deeds: “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, gender, gender identity, gender expression, marital status, familial status, disability, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee himself or herself 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, subtenants, subleases or vendees in the land herein conveyed. The foregoing covenants shall run with the land.”

(2) In leases: “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:

“There shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, gender, gender identity, gender expression, marital status, familial status, disability, ancestry or national origin in the leasing, subleasing, transferring, use, occupancy, tenure or enjoyment of the premises herein leased nor shall the lessee himself or herself, 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, subleases, subtenants or vendees in the premises herein leased.”

(3) In contracts: “There shall be no discrimination against or segregation of, any person, or group of persons on account of race, color, creed, religion, sex, gender, gender identity, gender expression, marital status, familial status, disability, ancestry or national origin, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself 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, subtenants, subleases or vendees of the premises.”

The covenants established in this Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of Authority, its

successors and assigns, Authority and any successor in interest to the Site, or any part thereof. The nondiscrimination covenants shall remain in effect in perpetuity.

J. **No Nuisance.** Developer shall not maintain, cause to be maintained, or allow to be maintained on or about the Site any public or private nuisance, including, without limitation, the conduct of criminal activities set forth in the nuisance abatement provisions of the Uniform Controlled Substances Act (Health & Safety Code Section 11570, *et seq.*) as currently exists or as may be amended from time to time, or the Street Terrorism Enforcement and Prevention Act (Penal Code Section 186.22, *et seq.*), as currently exists or as may be amended from time to time.

K. **No Hazardous Material Activity.** Developer shall not engage in any Hazardous Material Activity and shall comply with all Governmental Regulations in connection with the construction and operation of the Project.

In addition, Developer shall take all necessary precautions to prevent the release into the environment of any Hazardous Material which are located in, on or under the Site. Such precautions shall include compliance with all Governmental Regulations with respect to Hazardous Substance. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Substance. Notwithstanding the foregoing, this Regulatory Agreement shall not prohibit the use of such products in quantities as are customarily used in the construction, maintenance, rehabilitation or management of residential developments or associated buildings and grounds, or used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Project including without limitation alcohol, aspirin, tobacco and saccharine.

3. OPERATION AND MANAGEMENT OF THE PROJECT

A. **Compliance with Agreement.** The Developer shall comply with all the terms and provisions of the Loan Agreement and all applicable Governmental Regulations.

B. **Taxes and Assessments.** The Developer shall pay all applicable real and personal property taxes, assessments and charges and all franchise, income, employment, withholding, sales, and other taxes assessed against it, or payable by it, at such times and in such manner as to prevent any penalty from accruing, or any lien or charge from attaching to the Site; provided, however, that the Developer shall have the right to contest in good faith, any such taxes, assessments, or charges. In the event the Developer exercises its right to contest any tax, assessment, or charge against it, Developer, on final determination of the proceeding or contest, shall immediately pay or discharge any decision or judgment rendered against it, together with all costs, charges and interest.

C. **Operation and Management.** Developer shall manage, operate and maintain the Project in first class condition and in accordance with professional property management standards for similar properties in the Southern California area and shall maintain or cause to be maintained the interiors and exteriors of the Units in a decent, safe and sanitary manner. The Units shall be

maintained in accordance with the applicable requirements of the City's Municipal Code and all applicable Governmental Regulations.

The parties acknowledge that Authority is interested in the long-term management and operation of the Project and in the qualifications of any person or entity retained by the Developer for that purpose (the "**Property Manager**"). Prior to the disbursement of any proceeds of the Authority Loan, the Developer shall submit for the reasonable approval of the Authority, a detailed "Management Plan" which sets forth in detail the duties of the Property Manager, the tenant selection process, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Project and manner of enforcement, a standard lease form, and other matters relevant to the management of the Project. The Developer may from time to time submit amendments and modifications to the Management Plan for the reasonable approval of the Authority. The management of the Project shall be in compliance with the approved Management Plan.

Developer shall contract for property management services with an experienced and qualified property management entity (based upon the criteria set forth herein below approved by Authority which approval shall not be unreasonably withheld. In the Event of Default by the Property Manager of the requirements set forth in this Regulatory Agreement, the Authority shall provide notice to Developer of such default and Developer shall use its best efforts to correct such default. Upon failure by the Property Manager and/or Developer to cure such default within thirty (30) days of written notice by the Authority, the Authority shall have the right to require Developer to immediately remove and replace the Property Manager with another property manager or property management company who is reasonably acceptable to Authority and who has not less than five (5) years' experience in property management, including experience managing multifamily residential developments of the size, quality and scope of the Project.

The fee paid to Property Manager shall not exceed the reasonable and customary fees paid to such property managers for similar rental properties in Riverside County. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Developer shall ensure that the expenses of operating the Project do not materially exceed the budget which has been approved by the Authority. The Developer shall annually provide to the Authority a detailed accounting of operating expenses and shall make available its books and records to the Authority for inspection and copying, upon reasonable advance notice during its normal hours of business.

D. **Crime Free Multi Housing Program.** Throughout the Affordability Period, the Developer covenants and agrees to participate in and fully complete the City's Crime Free Multi Housing Program for the Site within twelve (12) months following the close of Escrow for the acquisition of the Site by Developer. Developer shall continue its compliance with the City's Crime Free Multi Housing Program throughout the Affordability Period, unless authorized by Authority to cease participation. Evidence of compliance with this requirement shall be forwarded annually to the Authority within said twelve (12) month period.

E. **Reserve Requirements.** Developer shall or shall cause the Property Manager to, set aside not less than Two Hundred Dollars (\$250.00) per Unit in the Project per year or such greater amount established and required by TCAC or other permanent lender or investor subject to annual adjustment, if any, into a separate interest-bearing trust account held by the Developer (the “***Capital Replacement Reserve***”). The amount required to be placed into the Capital Replacement Reserve shall increase at the rate determined by the permanent lender or investor. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Project fixtures and equipment which are normally capitalized under generally accepted accounting principles. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Developer, at its expense, shall submit to the City and the Authority an accounting for the Capital Replacement Reserve. Authority approval is not necessary for withdrawals made in accordance with this Agreement.

F. **Operating Reserve.** Developer shall, or shall cause the Property Manager to, set aside at the time the Release of Construction Covenants is recorded in a separate interest-bearing trust account held by the Developer with an initial amount equal to three (3) months of the projected annual Operating Expenses for the Development or in such lesser amount as allowed by the senior lender or investor (the “***Operating Reserve***”). Interest earned on funds in the Operating Reserve shall remain in the Operating Reserve. Developer may withdraw from the Operating Reserve those amounts exceeding the current year budget for operating expenses. Authority approval is not necessary for withdrawals made in accordance with this Agreement. Funds may be disbursed from the Operating Reserve to cover shortfalls between the income and actual Operating Expenses and Debt Service of the Development. Upon making disbursements to cover operating shortfalls, the Operating Reserve shall be replenished to the level prior to the disbursement from available Project cash flow unless such replenishment is not required by the senior lender or investor.

G. **Record Keeping.** Developer shall annually provide to the Authority its Annual Financial Statement for the preceding year and shall make available its books and records to Authority for inspection and copying, upon reasonable advance notice during its normal hours of business. As a part of the monitoring and compliance with this Regulatory Agreement the, Developer shall annually cause each Qualified Household occupying a Unit in the Project to complete an income certification in accordance with Section 2C. of this Regulatory Agreement. The Authority relies upon the information contained in such certifications to satisfy its reporting and record keeping requirements pursuant to the Community Redevelopment Law. In the event the Developer fails to submit to the Authority all of the documentation required by this Regulatory Agreement, the Developer shall be in default of this Regulatory Agreement. Upon failure by the Developer to cure such default within thirty (30) days of written notice by the Authority, the Authority may seek all available remedies as set forth in this Regulatory Agreement; provided, however, if the default is as of the result of the Developer not providing the a record that cannot be provided within thirty (30) days, the Developer shall have such additional time as is reasonable to provide such record so long as the Developer has in good faith commenced to obtain such record within the initial thirty (30) day period and continues to diligently pursue such record.

H. **Right of Entry For Inspection.** Subject to the rights of tenants, Representatives of Authority shall be entitled to enter the Site, upon at least forty-eight (48) hours' notice during normal business hours to monitor compliance with this Regulatory Agreement, to inspect the records of the Project with respect to the Units, and to conduct an independent audit of such records. The Developer agrees to cooperate with Authority in making the Site available for such inspection. If for any reason the Authority is unable to obtain the Developer's consent to such an inspection, the Developer understands and agrees that the Authority may obtain at the Developer's expense an administrative inspection warrant or other appropriate legal order to obtain access to such records. The Developer agrees to maintain records in a business-like manner on the Site or in a location approved in writing by the Director and to make such records available to the Authority upon twenty-four (24) hours' notice. Unless the Authority otherwise approves, such records shall be maintained throughout the Affordability Period.

4. OBLIGATION TO CONSTRUCT, MAINTAIN, REPAIR AND REBUILD

A. **Construction Covenant.** The Developer covenants and agrees to complete the construction in accordance with the Loan Agreement, including, without limitation, the Project Development and all approved plans, drawings, documents and permits issued by the City and/or other governmental agency exercising jurisdiction over the Project.

(1) **Labor Standards.** The Developer shall comply with all applicable federal and state labor standards.

(2) **Compliance with Governmental Regulations.** Developer shall carry out the design, construction and operation of the Project in conformity with applicable Governmental Regulations, including, without limitation, all applicable labor standards, the applicable City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other applicable provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, as currently exists or as may be amended from time to time, Government Code Section 4450, *et seq.*, as currently exists or as may be amended from time to time, Government Code Section 11135, *et seq.*, as currently exists or as may be amended from time to time, and the California Building Standards Code, Health and Safety Code Section 18900, *et seq.* as currently exists or as may be amended from time to time.

B. **Schedule of Performance.** Developer covenants and agrees to commence the Project and to diligently prosecute to completion the Project in accordance with the Schedule of Performance (Attachment No. 4 to the Loan Agreement). Before commencement of development of the Project, Developer shall secure or cause to be secured any and all permits and permit ready letters which may be required by the City or other governmental agency affected by such work. Upon satisfactory completion of the construction of the Project as determined by the Authority and upon written request therefor by the Developer, the Authority shall record the Release of Construction Covenants releasing the Developer from the covenant to construct set forth above.

C. **Maintenance and Replacement.** Except for the normal wear and tear, the Developer shall, at its sole cost and expense, maintain and repair the Site keeping the same in first

class condition and in a safe, decent and sanitary condition, including the Units, walkways, driveways and landscaping, and from time to time make all necessary and proper repairs, renewals and replacements as they may be required by this Regulatory Agreement and by all applicable Municipal Code and Uniform Code provisions. Developer shall manage and maintain the Project in accordance with all applicable housing quality standards and local code requirements, concerning marketing, operation, maintenance, repair, security, rental policy and method of selection of tenants.

D. **Interior Maintenance.** Developer shall maintain the interior of buildings, including carpet, drapes and paint, in clean and habitable condition.

E. **Exterior Building Maintenance.** All exterior, painted surfaces shall be maintained at all times in a clean and presentable manner, free from chipping, cracking and defacing marks. All graffiti and defacement of any type, including marks, words and pictures must be removed and any necessary painting or repair completed within the later of (1) seventy-two (72) hours of their creation or (2) seventy-two (72) hours after notice to Developer.

F. **Landscaping.** All landscaped parcels and all front and side-yard setback areas that are not buildings, driveways or walkways shall be adequately and appropriately landscaped in accordance with minimum standards established by the City and shall be maintained in sound horticultural condition in accordance with the standards established by the City from time to time. No structure, improvement or other non-plant material shall be constructed or otherwise placed on the landscaped areas of the Project without prior written approval by the Director.

The following minimum standards shall apply to all landscaped areas of the Project: (1) lawn grasses shall not exceed six (6) inches in height; (2) hedges shall be trimmed; (3) no trees, shrubbery, lawns, and other plant life shall be dying from lack of water or other necessary maintenance; (4) no trees or shrubbery shall grow uncontrolled without proper pruning; (5) no vegetation shall be overgrown so as to be likely to harbor rats or vermin; (6) no dead, decayed or diseased trees, weeds and other vegetation shall be allowed. In addition to the foregoing, no yard areas shall be left unmaintained, including: (1) no broken or discarded furniture, appliances and other household equipment stored in yard areas for periods exceeding one (1) week; (2) no packing boxes, lumber, trash, dirt and other debris stored in yards for periods exceeding one (1) week in areas visible from public property or neighboring properties; (3) no unscreened trash cans, bins or containers stored for unreasonable periods in areas visible from public property or neighboring properties; and (4) no vehicles parked or stored in other than approved parking areas.

G. **Right To Enter To Cure.** If at any time the Developer fails to maintain the Site in accordance with this Section 4 and such condition is not corrected within seventy-two (72) hours after written notice from the Authority with respect to graffiti debris, waste material, and general maintenance, or thirty (30) days after written notice from the Authority with respect to landscaping and building improvements with such additional time as may be reasonably necessary to diligently prosecute the cure to completion, then the Authority, in addition to whatever remedies it may have at law or at equity, shall have the right, subject to the rights of Tenants, to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and

landscaped areas on the Site, and to attach a lien upon the Site, or to assess the Site and add such amounts to the outstanding indebtedness then owed by the Developer to the Authority.

H. **Damage and Destruction; Developer's Duty to Rebuild.** If all or any portion of the Site and the improvements thereon is damaged or destroyed by fire or other casualty, it shall be the duty of the Developer, subject to the availability of funds, to rebuild, repair or construct said portion of the Site and/or the improvements in a timely manner which will restore it to Riverside Municipal or Building Code compliance condition as approved by the City and the Authority.

In furtherance of the requirements of this Section 4.1., Developer shall keep the improvements on the Site insured by carriers at all times satisfactory to the Authority against loss by fire, rent loss and such other hazards (other than earthquake), casualties, liabilities and contingencies as included within an all risk extended coverage hazard insurance policy in an amount of the full replacement cost of the improvements as required by the Loan Agreement. In the event of loss, Developer shall give prompt notice to the insurance carrier and the Authority.

If the Site is abandoned by the Developer, or if Developer fails to respond to the Authority within thirty (30) days from the date notice is mailed by Authority to Developer that the insurance carrier offers to settle a claim for insurance benefits, Authority is authorized to correct and apply the insurance proceeds at its option either to restoration or repair of the Site or to the sums secured by the Authority Deed of Trust (as those terms are defined in the Loan Agreement).

I. **Time Limitation.** Upon damage to the Site or the improvements thereon, the Developer shall be obligated to proceed with all due diligence hereunder and commence reconstruction within one year after the damage occurs and complete reconstruction within a term deemed acceptable by the parties after damage occurs, or if appropriate, to demolition and vacation of the Site within one year, unless prevented by causes beyond its reasonable control.

5. MISCELLANEOUS PROJECT REQUIREMENTS

A. **Affirmative Marketing.** Within the time specified therefor in the Schedule of Performance, Developer shall submit for the approval by the Authority, which approval shall not unreasonably be withheld, a plan for marketing the rental of the Units (the "***Marketing Plan***"). The Marketing Plan shall include a plan for publicizing the availability of the Units within the City in a manner which gives notice to Qualified Households currently living within the City before residents of other cities receive such notice, such as notices in any City sponsored newsletter, newspaper advertising in local newspapers and notices in City offices.

6. COVENANTS

A. **Affordability Period.** The provisions of this Regulatory Agreement shall apply to the Site throughout the Affordability Period, even if the Authority Loan is paid in full. This Regulatory Agreement shall bind any successor, heir or assign of the Developer, whether a change in interest occurs voluntarily or involuntarily, by operation of law or otherwise, with or without the approval of Authority, except as expressly released by the Authority. Authority makes the

Authority Loan on the condition, and in consideration of this provision, and would not do so otherwise.

B. **Covenants to Run with the Land.** The Authority and the Developer hereby declare their express intent that the covenants and restrictions set forth in this Regulatory Agreement shall run with the land, and shall bind all successors in title to the Site. Each and every contract, deed or other instrument hereafter executed covering or conveying the Site or any portion thereof shall be held conclusively to have been executed, delivered and accepted subject to such covenants and restrictions, regardless of whether such covenants or restrictions are set forth in such contract, deed or other instrument, unless Authority expressly releases such conveyed portion of the Site from the requirements of this Regulatory Agreement.

7. ENFORCEMENT AND REMEDIES

A. **Remedies.** Subject to the notice and cure rights of the Developer set forth in Section 8 of the Loan Agreement, in the event of default or breach of any of the terms or conditions of this Regulatory Agreement by Developer, its heirs, executors, administrators or assigns, Authority may, following any applicable notice and cure period, pursue the remedy thereof by any and all means of enforcement, both in equity and at law, as provided by the laws of the State of California, including, but not limited to, injunctive relief and/or specific performance.

B. **Rights of the City.** The City of Riverside has the right to enforce all of the provisions of this Regulatory Agreement. This Regulatory Agreement does not in any way infringe on the right or duties of the City to enforce any of the provisions of the Municipal Code including, but not limited to, the abatement of dangerous buildings. In addition to the general rights of enforcement, the City shall have the right, through its agents and employees, to enter upon any part of the Site for the purpose of enforcing the California Vehicle Code, and the ordinances and other regulations of the City, and for maintenance and/or repair of any or all publicly owned utilities.

C. **Jurisdiction and Venue.** Legal actions must be instituted and maintained in the Superior Court of the County of Riverside, State of California.

D. **Nuisance.** The result of every act or omission whereby any of the covenants contained in this Regulatory Agreement are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowable at law or equity, against a nuisance, either public or private, shall be applicable against every such result and may be exercised by any owner or its successors in interest, without derogation of the Authority's rights under law.

E. **Right of Entry.** Subject to the rights of tenants, the Authority has the right of entry at reasonable hours after reasonable attempts to contact Developer, to effect emergency repairs or maintenance which the Developer has failed to perform. Subsequent to sixty (60) days' written notice to the Developer specifically outlining the noncompliance, the Authority shall have the right of entry at reasonable hours to enforce compliance with this Regulatory Agreement which the Developer has failed to perform.

F. **Costs of Repair.** The costs borne by the Authority of any such repairs or maintenance emergency and/or non-emergency, shall become a charge for which the Developer shall be responsible and may, if unpaid, be assessed as a lien against the Site following the repayment of the indebtedness owed by the Developer to the Authority under the Loan Agreement.

G. **Cumulative Remedies.** The remedies herein provided for breach of the covenants contained in this Regulatory Agreement shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

H. **Failure to Enforce.** The failure to enforce any of the covenants contained in this Regulatory Agreement shall not constitute a waiver of the right to enforce the same thereafter.

8. HOLD HARMLESS

Except for the sole negligence or willful misconduct of the Authority's, its officer's, agent's, employee's, representative's, elected and appointed board's and officials' (collectively, the "***Indemnitees***"), the Developer agrees to defend and to hold the Indemnitees harmless from liability for damage or claims for any type of damage, including, but not limited to, personal injury and claims for property damage, which may arise from the activities of the Developer or those of Developer's contractors, subcontractors, agents, employees or other persons acting on Developer's behalf and which relate to the Project. Developer agrees to defend the Indemnitees in any action caused or alleged to be caused by reason of Developer's activities in connection with the Project.

9. ASSIGNMENT OF AGREEMENT

This Regulatory Agreement shall be binding upon the Developer, its executors, administrators and assigns and all persons claiming under or through the Developer. Wherever this Regulatory Agreement employs the term "Developer", it shall be deemed to include the Developer, its executors, administrators and assigns and all persons claiming under or through the Developer. Assignment of this Regulatory Agreement shall be limited to authorized assignees of the Loan Agreement in compliance with Section 2 thereof

10. THIRD PARTY BENEFICIARIES

This Regulatory Agreement is made and entered into for the sole protection and benefit of the Authority, its successors and assigns, and the Developer, its permitted successors and assigns, and no other person or persons shall have any right of action hereon.

11. RECORDATION

Developer agrees that this Regulatory Agreement and any amendment or cancellation hereof shall be recorded in the official records of Riverside County by the Developer within ten (10) days of the date of this Regulatory Agreement and within ten (10) days after any amendment or cancellation hereof.

12. NOTICE

Written notice, demands and communications between the City, the Authority and the Developer shall be sent by first-class registered or certified mail, postage prepaid, return receipt requested, or by private courier service which provides evidence of delivery. Unless a different address is given by any party as provided in this Section, all such communications will be addressed as follows:

To Developer:	Mission Heritage LP c/o Wakeland Housing & Development Corporation 1230 Columbia Street San Diego, CA 92101 Attn: Kenneth L. Sauder
With a Copy To:	Downs Pham & Kuei LLP One Embarcadero Center, Suite 500 San Francisco, CA 94111 Attn: Gary P. Downs, Esq.
To Authority:	Housing Authority of the City of Riverside Attn: Executive Director 3900 Main Street Riverside, California 92522
Copies to:	City of Riverside Attn: City Attorney 3900 Main Street Riverside, California 92522

Any Notice shall be deemed received immediately if delivered by hand and shall be deemed received on the third day from the date it is postmarked if delivered by registered or certified mail. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent. Any address for service of notice on any party may be changed by that party serving a notice upon the other of the new address, except that any change of address to a post office box shall not be effective unless a street address is also specified for use in effectuating personal service.

13. WAIVER

Failure by a party to insist upon the strict performance of any of the provisions of this Regulatory Agreement by the other party or the failure by the party to exercise its rights under or upon a default by the other party herein shall not constitute a waiver of such party's right to demand strict compliance from such other party in the future.

14. SUBORDINATION

This Regulatory Agreement and the covenants contained herein shall be subordinate to the senior construction loan, and when converted into its permanent phase, permanent loan, and the regulatory agreement recorded in connection with any award of low-income housing tax credits.

15. SEVERABILITY

If any one or more of the provisions contained in this Regulatory Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Regulatory Agreement, and this Regulatory Agreement shall be construed as if such invalid, illegal or unenforceable provision(s) had never been contained herein.

16. CAPTIONS; HEADINGS; PRONOUNS

The captions and headings of the various sections of this Regulatory Agreement are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular, and masculine, feminine and neuter shall be freely interchangeable.

17. MODIFICATION OF AGREEMENT

This Regulatory Agreement may be modified or amended by mutual consent of the Developer and Authority provided that all amendments are in writing and signed by all of the parties hereto.

18. SOLE AND ONLY AGREEMENT

This Regulatory Agreement, the Loan Agreement and all of the attachments thereto and incorporated therein integrate all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the Site. In the event of a conflict between this Regulatory Agreement and Loan Agreement, the provisions of this Regulatory Agreement shall control.

The Authority and the Developer acknowledge and agree that neither of them has made any representation with respect to the subject matter of this Regulatory Agreement or any representations inducing the execution and delivery, except representations set forth herein, and each party acknowledges that it has relied on its own judgment in entering this Regulatory Agreement. The Authority and the Developer further acknowledge that all statements or representations that heretofore may have been made by either of them to the other are void and of no effect, and that neither of them has relied thereon in its dealings with the other.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Regulatory Agreement as of the date and year set forth below.

“DEVELOPER”

MISSION HERITAGE LP,
a California limited partnership

By: Wakeland Mission Heritage LLC,
a California Limited Liability Company,
its Managing General Partner

By: Wakeland Housing and Development Corporation,
a California nonprofit public benefit corporation,
its Sole Member and Manager

By: _____
Kenneth L. Sauder, President

By: _____, LLC,
a _____ limited liability company,
its Co-General Partner

By: Fair Housing Council of Riverside County,
a California nonprofit public benefit corporation
its Sole Member and Manager

By: _____
Name: _____
Its: _____

“AUTHORITY”

HOUSING AUTHORITY OF THE CITY OF RIVERSIDE,
a public body, corporate and politic

Date: _____

By: _____

Name: _____

Its: _____

ATTEST:

By: _____
Housing Authority Secretary

APPROVED AS TO FORM:

By: _____
Housing Authority General Counsel

EXHIBIT A

LEGAL DESCRIPTION

ATTACHMENT NO. 10

NOTICE OF AFFORDABILITY RESTRICTIONS

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
)
Housing Authority of the City of Riverside)
3900 Main Street)
Riverside, CA 92522)
Attn: Executive Director)
)
Project: Mission Heritage -)

(Space above for Recorder's Use Only)

This document is exempt from the payment of a recording fee
pursuant to Government Code Section 27383.

NOTICE OF AFFORDABILITY RESTRICTIONS
ON TRANSFER OF PROPERTY

In accordance with Health and Safety Code Section 33334.3(f)(3)(B), notice is hereby given that certain real property located in the City of Riverside, County of Riverside, State of California, known as Assessor Parcel Numbers 214-212-007 -008, -009, -010, -011, -012, and -013 and as more particularly described on Exhibit A, attached hereto and incorporated herein by this reference, is subject to certain affordability covenants and restrictions identified by that certain Regulatory Agreement by and between the **HOUSING AUTHORITY OF THE CITY OF RIVERSIDE**, a public body corporate and politic (the "**Authority**") and **MISSION HERITAGE LP**, a California limited partnership ("**Owner**"), dated and recorded concurrently herewith (the "**Regulatory Agreement**") and incorporated herein by this reference .

The affordability covenants and restrictions set forth in the aforementioned Regulatory Agreement shall expire (i) fifty-five (55) years after the recordation of that certain Release of Construction Covenants by and between Owner and the Authority, dated concurrent herewith.

This notice is prepared for notice and recordation purposes only, and in no way modifies the terms, conditions, provisions and covenants set forth in the Regulatory Agreement. In the event of any inconsistency between the terms, conditions, provisions and covenants set forth in the Regulatory Agreement and this notice, the terms, conditions, provisions and covenants set forth in the Regulatory Agreement shall prevail.

IN WITNESS WHEREOF, this Notice of Affordability Restrictions on Transfer of Property has been executed as of the date set forth below.

“AUTHORITY”

HOUSING AUTHORITY OF THE CITY OF
RIVERSIDE, a public body, corporate and politic

Dated: _____

By: _____
Executive Director

ATTEST:

By: _____
Housing Authority Secretary

APPROVED AS TO FORM:

By: _____
Housing Authority General Counsel

EXHIBIT A

LEGAL DESCRIPTION

ATTACHMENT NO. 11

RELEASE OF CONSTRUCTION COVENANTS

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
)
Housing Authority of the City of Riverside)
3900 Main Street)
Riverside, CA 92522)
Attn: Executive Director)
)
Project: Mission Heritage)

(Space above for Recorder's Use Only)

This document is exempt from the payment of a recording fee
pursuant to Government Code Section 27383.

RELEASE OF CONSTRUCTION COVENANTS

THIS RELEASE OF CONSTRUCTION COVENANTS ("**Release**") is hereby made as of this ____ day of _____, 20__, by the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public body, corporate and politic (the "**Authority**"), in favor of MISSION HERITAGE LP, a California limited partnership ("**Developer**").

RECITALS

A. The Authority and the Developer entered into that certain Loan Agreement, dated for identification purposes only as of _____, 2017 (the "**Loan Agreement**").

B. Pursuant to the Loan Agreement, the Authority and the Developer entered into that certain Regulatory Agreement dated _____, 2017 (the "**Regulatory Agreement**"). The Loan Agreement provides for the completion of certain improvements (the "**Project**") to be constructed that certain real property situated in the City of Riverside, California (the "**Site**"), as more particularly described on Exhibit A, attached hereto and made apart hereof by this reference. Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Regulatory Agreement.

C. As required under the Loan Agreement and the Regulatory Agreement, the Authority shall furnish the Developer with a Release of Construction Covenants upon completion of the Project, which shall be in such form as to permit it to be recorded in the Riverside County Recorder's Office.

D. The Authority has conclusively determined that the construction of the Project on the Site has been satisfactorily completed in accordance with the Loan Agreement and the Regulatory Agreement.

NOW, THEREFORE, the Authority hereto certifies as follows:

1. As provided in the Regulatory Agreement, the Authority does hereby certify that all of the construction of the Project on the Site has been fully and satisfactorily performed and completed in accordance with the Loan Agreement and the Regulatory Agreement.

2. After the recordation of this Release, any person or entity then owning or thereafter purchasing, or otherwise acquiring any interest in the Site will not (because of such ownership, purchase, or acquisition) incur any obligation or liability under the Loan Agreement, or the Regulatory Agreement to construct the Project, however, such party shall be bound by any and all of the covenants, conditions, and restrictions concerning the use, maintenance and operation of the Site which survive such recordation.

3. This Release is not a notice of completion as referred to in Section 3093 of the California Civil Code.

[Signatures Appear on Following Page]

IN WITNESS WHEREOF, the Authority has executed this Release as of the date first above written.

**HOUSING AUTHORITY OF THE CITY OF
RIVERSIDE**, a public body, corporate and politic

By: _____
Executive Director

ATTEST:

By: _____
Authority Secretary

APPROVED AS TO FORM:

By: _____
Authority General Counsel

EXHIBIT A

LEGAL DESCRIPTION

[Attached]

ATTACHMENT NO. 12

REQUEST FOR NOTICE OF DEFAULT

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**)

)
)
)
Housing Authority of the City of Riverside)
3900 Main Street)
Riverside, CA 92522)
Attn: Executive Director)
)
Project: Mission Heritage)

(Space above for Recorder's Use Only)

This document is exempt from the payment of a recording fee
pursuant to Government Code Section 27383.

**REQUEST FOR NOTICE OF DEFAULT
(Under Section 2924b Civil Code)**

In accordance with Section 2924b, Civil Code, request is hereby made that a copy of any notice of default and a copy of any notice of sale under the deed of trust recorded on _____, 20__, in Book _____, Page _____, Official Records of Riverside County, California, executed by **MISSION HERITAGE, LP**, as Trustor, in which **HOUSING AUTHORITY OF THE CITY OF RIVERSIDE**, a public body corporate and politic is named as Beneficiary, and _____ as Trustee, be mailed to:

_____ (Number and Street)
_____ (City and State)

NOTICE: A copy of any notice of default and of any notice of sale will be sent only to the address contained in this recorded request. If your address changes, a new request must be recorded.

**HOUSING AUTHORITY OF THE CITY OF
RIVERSIDE**, a public body, corporate and politic

By: _____
Executive Director

ATTACHMENT NO. 13

ASSIGNMENT OF PLANS, REPORTS AND DATA

(MISSION HERITAGE)

FOR VALUE RECEIVED, and subject to the rights of any senior lender, MISSION HERITAGE LP, a California limited partnership ("**Borrower**"), does hereby assign, pledge, transfer and set over to the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public body corporate and politic (the "**Authority**"), all of its rights, title and interest in and to the following (collectively, the "**Plans, Reports and Data**"): any and all plans, drawings, studies, reports and related documents concerning the Property, and all amendments, modifications, supplements, general conditions and addenda thereto, including, without limitation, Environmental Reports, all architectural and engineering plans, any architect's agreement entered into hereafter ("**Architect's Agreement**") by and between Borrower and any architect engaged to perform services with respect to the Property ("**Architect**") and those certain plans and specifications referred to therein, and all amendments, modifications, supplements, general conditions and addenda thereto (collectively, "**Architectural Plans**") prepared by Architect for the account of Borrower in connection with the development of certain real property located in the City of Riverside, County of Riverside, State of California more particularly described on Exhibit A attached hereto (the "**Property**"). The Plans, Reports and Data, including, without limitation, the Architect's Agreement and the Architectural Plans, are hereby assigned as collateral security for certain indebtedness of Borrower to Authority evidenced by that certain Authority Promissory Note ("**Authority Promissory Note**") of even date herewith in the principal amount of \$3,000,000 (the "**Authority Loan**"). The Authority Loan is made pursuant to that certain Loan Agreement, entered into by and between Borrower and Authority dated for identification purposes only as of _____, 2017 (the "**Loan Agreement**"). All capitalized terms not defined herein shall have the meaning set forth in the Loan Agreement. For purposes hereof, "Environmental Reports" means any "Phase I" and/or "Phase 2" investigations of the Property and all final reports and test results (not including drafts) provided by Developer's environmental consultant, if any.

Upon the occurrence and continuance of an Event of Default under the Loan Agreement beyond any applicable notice and cure period, the Authority Promissory Note or any other document relating to the Authority Loan (collectively, the "**Authority Loan Documents**"), the Authority shall have the right, but not the obligation, prior to the recordation of that certain Release of Construction Covenants to be entered into by and between the Authority and Borrower, at any time, in its own name or in the name of Borrower, or otherwise, to take such action as Authority may at any time or from time to time determine to be necessary or desirable in order to cure any default by Borrower under the Architect's Agreement, including, without limitation, the protection of Borrower's rights with respect to the Architectural Plans or to protect the rights of Borrower thereunder. Authority shall not incur any liability if any action taken by Authority or on its behalf in good faith, pursuant to the foregoing sentence, shall prove to be, in whole or in

part, inadequate or invalid, and Borrower hereby indemnifies and agrees to hold Authority harmless from and against any and all loss, claim, demand, cost, liability, damage or expense, including, without limitation, reasonable attorneys' fees and expenses in connection with any such action or actions, except to the extent resulting from the negligence or misconduct of the Authority. Borrower agrees to have each architect engaged to perform services in connection with the Property execute a Consent in the form attached hereto.

Upon the occurrence and continuance of an Event of Default under the Loan Agreement, the Authority may exercise its rights hereunder and take possession of and title to the Plans, Reports and Data, including, without limitation, all architectural plans and the Architect's Agreement. Authority shall notify Borrower in writing of its exercise of its rights hereunder in accordance with the notice provisions set forth in the Loan Agreement. Borrower shall deliver possession of and title to the Plans, Reports and Data to Authority within forty-eight (48) hours of receipt of Authority's written notice.

Borrower and Architect, by executing the Consent to this Assignment, agree that the Authority does not assume any of Borrower's obligations or duties concerning the Architect's Agreement and the Architectural Plans, including, but not limited to, the obligation to pay for the preparation of the Architect's Agreement and the Architectural Plans, until and unless Authority shall exercise its rights hereunder.

Except for an Assignment to the senior lender, Borrower hereby represents and warrants to Authority that no previous assignment of its interest in the Plans, Reports and Data, including, without limitation, the Architect's Agreement and the Architectural Plans, has been made, and Borrower agrees not to assign, sell, pledge, transfer, mortgage or otherwise encumber its interest in the Plans, Reports and Data, including, without limitation, the Architect's Agreement and the Architectural Plans, so long as this Assignment is in effect.

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, or successors in interest of the Borrower and Authority.

[Signatures Appear on the Following Page]

IN WITNESS WHEREOF, Borrower has caused this Assignment of Plans, Reports and Data to be executed as of _____, 2017.

BORROWER:

Mission Heritage LP,
a California limited partnership

By: Wakeland Mission Heritage LLC,
a California limited liability company,
its General Partner

By: Wakeland Housing and Development Corporation,
a California nonprofit public benefit corporation
its Sole Member and Manager

By: _____
Kenneth L. Sauder

By: _____, LLC,
a _____ limited liability company,
its General Partner

By: Fair Housing Council of Riverside County,
a California nonprofit public benefit corporation
[its sole member and manager]

By: _____
Name: _____
Its: _____

CONSENT TO ASSIGNMENT OF PLANS,
REPORTS AND DATA

The undersigned has prepared the Architectural Plans and hereby consents to the assignment and other conditions set forth in the above Assignment of Plans, Reports and Data. The undersigned also agrees that in the event of a breach by Borrower of any of the terms and conditions of the Architect's Agreement or any other agreement entered into with the undersigned in connection with the Architectural Plans, that so long as Borrower's interest in the Plans is assigned to Authority, the undersigned will give written notice to Authority of such breach. Authority shall have sixty (60) days from the receipt of such notice of default to remedy or cure said default; provided, however, nothing herein shall require Authority to cure said default, Authority shall only have the option to do so.

The undersigned also agrees that in the event of default by Borrower under any of the documents or instruments entered into in connection with the Loan Agreement, the undersigned, at Authority's request, shall continue performance under the Architect's Agreement in accordance with the terms hereof, provided that the undersigned shall be reimbursed in accordance with the Architect's Agreement for all services rendered on Authority's behalf.

Dated: _____

ARCHITECT:

By: _____

Name: _____

Title: _____

EXHIBIT A

LEGAL DESCRIPTION