

**FIRST AMENDMENT TO LOAN AGREEMENT
(RIVERSIDE CEDAR GLEN II)**

THIS FIRST AMENDMENT TO LOAN AGREEMENT (CEDAR GLEN II) ("*First Amendment*"), is made and entered into this day of , 20__, by and between the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public entity ("*Authority*"), and RIVERSIDE CEDAR GLEN PARTNERS II LP, a California limited partnership ("*Developer*"), with reference to the following:

RECITALS

A. On July 2, 2018, Authority and Developer entered into a LOAN AGREEMENT (RIVERSIDE CEDAR GLEN II) ("*Agreement*") wherein the Authority provided a loan in the principal amount of Six Hundred Thousand Dollars (\$600,000) ("*Loan*") to the Developer for the development of a fifty-unit affordable housing community located at 9830 County Farm Road (and also sometimes referred to as 3990 Reynolds Road), legally described as Assessor Parcel Number 145-260-030 and Assessor Parcel Number 145-260-031 ("*Site*"). The development will hereafter be referred to as "*Project*".

B. As part of the Project and as a condition of the Loan, Developer was to work diligently to obtain additional financing and reserve eleven (11) Project units for households whose gross annual income do not exceed sixty percent (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.

C. Since executing the Loan Agreement, the Developer has obtained additional funding from the No Place Like Home ("*NPLH*") program, a state program that uses bond proceeds to invest in the development of permanent supportive housing for persons who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness.

D. The NPLH program requires that twenty-four (24) Project units be reserved for formally homeless individuals requiring behavioral health supportive services, all of which must be reserved for households whose gross annual income do not exceed thirty percent (30%) 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.

E. The City and the Developer now desire to amend the Loan Agreement to modify the affordability restrictions and update the Project Description, Schedule, and Budget to account for this additional funding source, and to identify Developer's limited investment partner.

NOW THEREFORE, in consideration of the Recitals above, the City and the Developer agree as follows:

1. Paragraph 1.1, Defined Terms, "Affordable Units", is hereby amended as follows:

“‘*Affordable Units*’ means the fifteen (15) one-bedroom Units to be constructed and maintained on the Site, to be restricted to and available to Extremely Low-Income Households. To the extent permitted by law, preference shall be given to households as identified in Section 5.2.3.”

2. Paragraph 1.1, Defined Terms, “Qualified Household”, is amended as follows:

“‘*Qualified Household*’ means a Qualified Extremely Low-Income Household.”

3. Paragraph 1.1, Defined Terms, “Qualified Low-Income Household”, is hereby deleted in its entirety and replaced with the following:

“‘*Qualified Extremely Low-Income Household*’ means a Household whose gross annual income does not exceed thirty (30%) 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.”

4. Paragraph 1.1, Defined Terms, is hereby amended to also include the following:

“‘*Extremely Low-Income Household*’ means a Household whose gross annual income does not exceed thirty (30%) 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.”

“‘*Investment Limited Partner*’ means Boston Capital Direct Placement, A Limited Partnership, a Massachusetts limited partnership, and its successors and assigns.”

5. Paragraph 2.2.2, Permitted Transfers by Developer, is hereby amended by adding the following language:

“vii. Transfers of the Investment Limited Partner’s interest in the Developer to affiliates of the Investment Limited Partner, including without limitation, Boston Capital Midway Credit Fund V, a Massachusetts limited partnership.”

6. Paragraph 4.15.3, Notice of Default to Mortgagee or Deed of Trust Holders: Right to Cure, is hereby amended by adding the following language:

“Notwithstanding anything to the contrary contained herein, any cure of any default made or tendered by the Investment Limited Partner shall be deemed to be a cure by Developer and shall be accepted by the Authority as if made or tendered by Developer.”

7. Paragraph 5.2.1, Number of Units, is hereby deleted in its entirety and replaced with the following language:

“Number of Units. Developer agrees to make available and rent at an Affordable Rent fifteen (15) one-bedroom Units to Qualified Extremely Low-Income Households.”

8. Paragraph 5.2.4, Household Income Requirements, is hereby amended as follows:

“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 a Qualified Extremely 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.”

9. Paragraph 8.1, Notices, Demands, and Communications Between the Parties, is hereby amended to also include the following contact information for Developer:

“Copy to: Boston Capital Direct Placement, A Limited Partnership
c/o Boston Capital Partners, Inc.
One Boston Place, 21st Floor
Boston, MA 02108
Attn: Asset Management (Cedar Glen II)

And to: Holland & Knight LLP
10 St. James Avenue, 11th Floor
Boston, MA 02116
Attn: Jennifer C. Whalen, Esq.”

10. Attachment 3, Project Description, is deleted in its entirety and replaced with the updated Attachment 3, attached hereto and incorporated herein.

11. Attachment 4, Schedule of Performance, is deleted in its entirety and replaced with the updated Attachment 4, attached hereto and incorporated herein.

12. Attachment 5, Project Budget, is deleted in its entirety and replaced with the updated Attachment 5, attached hereto and incorporated herein.

13. Attachment 6, Authority Promissory Note, is deleted in its entirety and replaced with the updated Attachment 6, attached hereto and incorporated herein.

14. Attachment 7, Authority Deed of Trust, is deleted in its entirety and replaced with the updated Attachment 7, attached hereto and incorporated herein.

15. Attachment 8, Regulatory Agreement, is deleted in its entirety and replaced with the updated Attachment 8, attached hereto and incorporated herein.

(SIGNATURES ON FOLLOWING PAGE)

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

“DEVELOPER”

RIVERSIDE CEDAR GLEN PARTNERS II LP, a California limited partnership

By: PC RIVERSIDE DEVELOPERS II LLC, a California limited liability company, its administrative general partner

By: PALM COMMUNITIES, a California corporation, its sole member and manager

By: 
Title: Pres

By: _____
Title: _____

By: LAS PALMAS HOUSING & DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation, its managing general partner

By: _____
Joseph M. Michaels, President

“AUTHORITY”


HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public entity

By: _____
Executive Director

ATTESTED TO:

By: _____
Authority Secretary

APPROVED AS TO FORM:

By: 
Authority General Counsel

CERTIFIED AS TO FUNDS AVAILABILITY:

BY: 
Chief Financial Officer/City Treasurer

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

“DEVELOPER”

RIVERSIDE CEDAR GLEN PARTNERS II LP, a California limited partnership

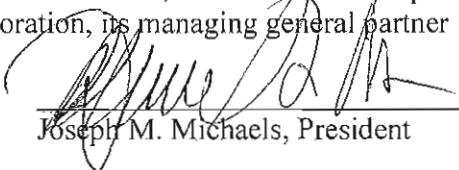
By: PC RIVERSIDE DEVELOPERS II LLC, a California limited liability company, its administrative general partner

By: PALM COMMUNITIES, a California corporation, its sole member and manager

By: _____
Title: _____

By: _____
Title: _____

By: LAS PALMAS HOUSING & DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation, its managing general partner

By: 
Joseph M. Michaels, President

“AUTHORITY”

HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public entity

By: _____
Executive Director

ATTESTED TO:

By: _____
Authority Secretary

APPROVED AS TO FORM:

By: _____
Authority General Counsel

ATTACHMENT 3

Project Description

Cedar Glen Apartments II is the second phase of the housing community that will be located at 9830 County Farm Road in Riverside. Cedar Glen II will contain forty-nine affordable housing units for persons and families earning between 25%-60% of Area Median Income and one unrestricted manager's unit (50 units total). Fifteen of the units are restricted by the Housing Authority of the City of Riverside for persons earning at-or-below 30% of the Area Median Income for a period of 55 years. Twenty-four units of the units will be reserved for homeless individuals requiring behavioral health case management. Unit configurations will include twenty-four one-bedroom units, twenty-five three-bedroom units, and a manager's unit.

ATTACHMENT 4

SCHEDULE OF PERFORMANCE

Milestone	Date
Execute Development Agreement	Completed
Begin Entitlement Process	Completed
Submit Plans for Building Permit	December 2019
Begin Construction	March 2020
Complete Construction	May 2021
Tenants to Occupy Units	June 2021

ATTACHMENT 5
PROJECT BUDGET

Sources of Funds	
Source	Amount
Perm Loan	\$0
Tax Credit Proceeds	14,558,959
HCD NPLH Funds	3,311,952
Donated Land Lease	1,339,000
TUMF Wavied Fee	306,700
Tranche B Loan	6,877,049
City of Riverside Loan	600,000
TCAC Perf. Dep. Refund	42,535
Interest Income	0
Operating Income	125,000
Deferred Developer Fee	17,935
	\$27,179,130

Uses of Funds	
Uses	Amount
Land Costs	\$1,344,000
Permits, Fees, & Studies	2,384,314
Direct Construction Costs	16,026,971
Contingency	2,102,697
Developer Fee	1,807,676
Indirect Construction Costs	1,011,776
Rent-Up Costs	220,000
Reserves	357,091
Financing Costs	1,924,606
	\$27,179,130

ATTACHMENT 6
PROMISSORY NOTE

PROMISSORY NOTE
(Cedar Glen II)

\$600,000

_____, 20____
Riverside, California

FOR VALUE RECEIVED, the undersigned, Riverside Cedar Glen Partners II LP, a California limited partnership ("**Borrower**"), hereby promises to pay to the order of the Housing Authority of the City Riverside, a public entity (together with its successors and assigns, "**Authority**"), having an address at 3900 Main Street in the City of Riverside, California 92522, at the Authority's said address or at such other place or to such other person as may be designated in writing to Borrower by the Authority, the sum of Six Hundred Thousand Dollars (\$600,000.00) ("**Loan**"), which amount includes principal plus interest accrued thereon at the rate hereinafter set forth.

1. Purpose. The purpose of the loan evidenced by this Promissory Note ("**Note**") is to provide financing to be used by Borrower in connection with the development and construction of that certain real property located at 9830 Farm Road in Riverside, California, APN 145-260-031 ("**Land**"), and the construction of a multifamily, affordable housing project, consisting of approximately fifty (50) units, including fifteen (15) restricted units, on the Land, for which Borrower owns a leasehold interest with a right to acquire fee title at the expiration of the lease ("**Project**", together with the Land, "**Property**").

2. Security. This Note is secured by that certain Deed of Trust, Fixture Filing, and Assignment of Rents executed by Borrower for the benefit of the Authority, dated as of even date herewith and recorded against the Property in the official records of the County of Riverside ("**Official Records**") substantially concurrent herewith ("**Deed of Trust**"). The Loan is evidenced by, among other documents, that certain Loan Agreement by and between the Authority and Borrower, dated as of even date herewith ("**Loan Agreement**"), and encumbered by that certain Regulatory Agreement by and between the Authority, Borrower, and Fair Housing, dated as of even date herewith, and recorded against the Property in the Official Records substantially concurrent herewith ("**Regulatory Agreement**"), and that certain Notice of Affordability Restrictions on Transfer of Property by and between the Authority and the Borrower, dated as of even date herewith, and recorded against the Property in the Official Records substantially concurrent herewith ("**Affordability Restrictions**" together with the Note, the Deed of Trust, the Loan Agreement, the Regulatory Agreement and any other document entered into by Borrower in connection with the Loan, "**Loan Documents**").

3. Terms of Payment.

a. Term. The principal of the Loan, together with all accrued interest, shall be due and payable on the earliest of: (a) fifty-five (55) years from the recordation of the Release of Construction Covenants, but in no event later than December 31, 2075; (b) the date the Property is sold; or (c) an Event of Default by Borrower, which has not been cured as provided for in the Loan Documents ("**Term**").

b. Interest. The Loan shall bear simple interest at the rate of three percent (3%) per annum.

c. Repayment. Commencing on June 1, 2022, and on June 1 of each calendar year thereafter through the end of the Term, Borrower shall make payments of the Loan equal to the Authority's Share of Residual Receipts. Payments under this Note shall be made in lawful money of the United States of America and shall be credited first against accrued interest and then against outstanding principal. Borrower shall provide the Authority with any documentation reasonably requested by the Authority to substantiate Borrower's determination of Residual Receipts.

4. Definitions. Except as otherwise noted, the following definitions shall apply for purposes of this Note.

(i) ***"Annual Operating Expenses"*** means with respect to a particular calendar year the following costs reasonably and actually incurred for operation and maintenance of the Property to the extent that they are consistent with the annual operating budget for the Property approved in advance by the Authority, and substantiated by an annual independent audit performed by a certified public accountant using generally accepted accounting principles:

(A) property taxes and assessments imposed on the Property, if any;

(B) debt service currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Property) on loans associated with the Property and approved by the Authority;

(C) property management fees and reimbursements, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by the Authority;

(D) asset management fees and partnership management fees payable to any partner or affiliate of any partner of Borrower and, if any, in a cumulative amount not to exceed a total of Twenty-Five Thousand Dollars (\$25,000) per year with an increase of three percent (3%) per annum, which fees may accrue;

(E) premiums for property damage and liability insurance;

(F) utility services not paid for directly by tenants, including water, sewer, and trash collection;

(G) maintenance and repair;

(H) any annual license or Certificate of Occupancy fees required for operation of the Property;

(I) security services;

(J) advertising and marketing;

(K) fees for resident services in the annual amount approved by the Authority, in set forth in the annual operating budget;

(L) cash deposited into reserves for capital replacements of the Property in the amount of Two Hundred Fifty Dollars (\$250) per unit per year, or such other higher amount required by a senior lender or investor;

(M) cash deposited into an operating reserve in an amount to be approved by the Authority, but with the operating reserve of at least two percent (2%) of gross rent until the operating reserve reaches the equivalent of three (3) months of Annual Operating Expenses (including debt service) for the Property, or such greater amount as approved in writing by the Authority; Borrower may apply all or a portion of capitalized operating reserves funded during development to satisfy this requirement;

(N) cash deposited into any other reserve accounts as required by permanent lenders and investors and as approved by the Authority;

(O) payment of any previously unpaid portion of the development fee (without interest) not exceeding a cumulative development fee in the maximum amount set forth in the Projections;

(P) extraordinary operating costs specifically approved in writing by the Authority;

(Q) payments of deductibles in connection with casualty insurance claims not normally paid from reserves, the amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves, and other ordinary and reasonable operating expenses not listed above.

(R) any credit adjuster payments or payments for tax liability required to be paid to Borrower limited partner under Borrower's partnership agreement;

Annual Operating Expenses shall not include the following: depreciation, amortization, depletion or other non-cash expenses; any amount expended from a reserve account; and any capital cost with respect to the Property, as determined by the accountant for the Property.

(ii) "**Gross Revenue**" means with respect to a particular calendar year all revenue, income, receipts, and other consideration actually received from operation and leasing of the Property. Gross Revenue shall include, but not be limited to, the following:

(A) all rents, fees and charges paid by tenants;

(B) Section 8, or other rental subsidy payments received for the dwelling units;

- (C) deposits forfeited by tenants;
- (D) all cancellation fees;
- (E) price index adjustments and any other rental adjustments to leases or rental agreements resulting in actual income;
- (F) proceeds from vending and laundry room machines;
- (G) the proceeds of business interruption or similar insurance;
- (H) subject to the rights of any lender of a loan to Borrower to which the Loan has been subordinated, the proceeds of casualty insurance to the extent not utilized to repair or rebuild the Property (or applied toward the cost of recovering such proceeds); and
- (I) condemnation awards for a taking of part of all of the Property for a temporary period.

Gross Revenue does not include tenants' security deposits, loan proceeds, capital contributions, or similar advances.

(iii) "***Authority's Share of Residual Receipts***" shall mean the Authority's Pro Rata Share of the Lenders' Share of Residual Receipts. The Pro Rata Share shall be determined by calculating the percentage resulting from dividing the amount of the Loan funds disbursed to Borrower in accordance with the Loan Agreement, by the total of the sum of all subordinate loans for the Project.

(iv) "***Lenders' Share of Residual Receipts***" shall mean fifty percent (50%) of Residual Receipts.

(v) "***Residual Receipts***" shall mean in a particular calendar year the amount by which Gross Revenue exceeds Annual Operating Expenses.

5. Acceleration. Except as may be otherwise provided in the Deed of Trust or the other loan documents evidencing this Loan, this Note shall be due and payable in one lump sum upon the sale, conveyance, assignment, hypothecation, or refinance of the Property without prior written consent of the Authority, or delegation of Borrower's obligations under this Note to any other party(ies) other than in connection with Permitted Transfers under the Loan Agreement. With the prior written consent of the Authority, which consent shall not be unreasonably withheld, conditioned or delayed, this Note may be assumed by an affiliate of Borrower.

6. Default. Any failure in the performance by Borrower of any non-monetary term, condition, provision or covenant set forth in this Note or the Regulatory Agreement shall be a default under this Note, and shall cause, at the option of the Authority, the entire unpaid balance, together with all unpaid sums then payable under this Note to become immediately due and payable upon written notice by the Authority to Borrower without further demand.

7. Prepayment. No prepayment penalty, fee or premium will be charged to Borrower for payment of all or any portion of the Loan amount prior to the end of the term described herein.

8. Authority's Remedies for Default; Cure.

a. Upon the occurrence of a default, the Authority shall provide Borrower written notice of said occurrence, and Borrower shall have thirty (30) days to cure the default unless the Authority shall agree in writing to an extension of such cure period prior to its expiration, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, if the default is of the type which is incapable of being cured within thirty (30) days, Borrower shall have such time as is reasonably necessary to cure such default, so long as Borrower has commenced such cure within such thirty (30) days and continues to diligently proceed to cure such default. If, after the cure period provided in this subparagraph (a), (i) Borrower has not cured the default, and (ii) the Authority has not waived its rights under this Note, the entire unpaid balance, together with all unpaid sums then payable under this Note shall, at the option of the Authority, become immediately due and payable upon written notice by the Authority to Borrower without further demand.

b. If a default shall occur and be continuing beyond any applicable notice and cure period, the Authority may pursue all rights and remedies available under this Note or as may be otherwise available to the Authority.

c. Any cure of any default made or tendered by one or more of Borrower's limited partners shall be deemed to be a cure by Borrower and shall be accepted by the Authority as if made or tended by Borrower.

9. Limited Recourse. Notwithstanding any contrary provision contained in this Note, there shall be no personal liability of Borrower and its partners, and their respective members, directors, officers, employees and agents, and the liability of Borrower shall be limited to the Property securing the Note. The Authority shall, however, be entitled to institute an action, suit, claim or demand against, and to recover a judgment against the Borrower, but only for any deficiency and the cost of collections, and only to the extent that such deficiency results directly from: (a) intentional or willful misconduct, fraud or material misrepresentation by Borrower in connection with the representations and warranties provided by Borrower; (b) the misappropriation of any rents from the Property by Borrower after an event of default has occurred and the cure period for such an event of default has expired (to the full extent of such rents misappropriated by Borrower); (c) the willful removal or disposal by Borrower of personal property or fixtures of the Property constituting a significant value, except for that which occurs through reasonable maintenance and repair; (d) the misapplication or misappropriation by Borrower of any insurance proceeds or any condemnation award with respect to the Property to the extent of such insurance proceeds and/or condemnation award; or (e) the intentional or negligent waste of any portion of the Property by Borrower.

10. Notice. Formal notices, demands, and communications between the Authority and Borrower shall be sufficiently given if, and shall not be given unless, dispatched by certified mail, postage prepaid, return receipt requested or sent by express delivery service or overnight courier

service, to the principal office of the Authority and Borrower as follows, or at such other address as the parties may designate in writing from time to time:

AUTHORITY:

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

With a copy to:

City Attorney
3900 Main Street
Riverside, CA 92522

BORROWER:

Riverside Cedar Glen Partners II LP
c/o Palm Communities
100 Pacifica, Suite 205
Irvine, CA 92618-7451
Attn: Danavon L. Horn

Boston Capital Direct Placement, A Limited Partnership
c/o Boston Capital Partners, Inc.
One Boston Place, 21st Floor
Boston, MA 02108
Attn: Asset Management (Cedar Glen II)

And to:

Holland & Knight LLP
10 St. James Avenue, 11th Floor
Boston, MA 02116
Attn: Jennifer C. Whalen, Esq.

Such written notices, demands and communications shall be effective on the date shown on the delivery receipt as the date delivered or the date on which the delivery was refused.

11. Attorneys' Fees. In the event of litigation arising from the enforcement of or a default under this Note, the non-prevailing party promises to pay all reasonable costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in such litigation.

12. Modifications. This Note may not be changed orally. Any waiver, change,

modification or discharge of this Note may be made only by the written consent of both parties.

13. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of California.

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

Borrower:

RIVERSIDE CEDAR GLEN PARTNERS II LP, a California limited partnership

By: PC RIVERSIDE DEVELOPERS II LLC, a California limited liability company, its administrative general partner

By: PALM COMMUNITIES, a California corporation, its sole member and manager

By: _____
Title:

By: _____
Title:

By: LAS PALMAS HOUSING & DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation, its managing general partner

By: _____
Joseph M. Michaels, President

ATTACHMENT 7

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: Cedar Glen II)

(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 _____, 20__ by RIVERSIDE CEDAR GLEN PARTNERS II LP, a California limited partnership ("*Trustor*"), whose address is 100 Pacifica, Suite 205, Irvine, CA 92618-7451, to First American at 3400 Central Avenue, Suite 100, Riverside, CA 92506 ("*Trustee*"), for the benefit of the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public entity ("*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 Six Hundred Thousand Dollars (\$600,000) made by Beneficiary for the benefit of Trustor ("*Authority Loan*"), evidenced by that certain Authority Promissory Note executed by Trustor in favor of Beneficiary, dated of even date herewith ("*Note*"), and made in accordance with that certain Loan Agreement by and between Beneficiary and Trustor, dated concurrent herewith ("*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 predevelopment activities in preparation for construction of improvements thereon containing fifty (50) Units, including fifteen (15) restricted units, and any improvements appurtenant thereto by the Trustor in accordance with the Loan Agreement ("*Project*"). The real property is located in the City of Riverside, State of California, identified as Assessor Parcel Numbers 145-260-031, as more particularly described on Exhibit A, attached hereto and incorporated herein by this reference ("*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, "**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, "**Rents**") derived from any lease, sublease, license, franchise or concession or other agreement (collectively, "**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 "*Trust Estate*".

FOR THE PURPOSE OF SECURING:

(a) the payment of the sum of Six Hundred Thousand Dollars (\$600,000), 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 ("*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, "*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 ("*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 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.

1.7 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.

1.8 **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.

1.9 **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.

1.10 **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.

1.11 **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.

1.12 **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.

1.13 **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 “***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.

1.14 **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.

1.15 **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.

1.16 **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.

1.17 **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.

1.18 **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.

1.19 **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.

1.20 **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 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 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.

1.21 **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. Any cure of any Event of Default made or tendered by one or more of Trustor's limited partners shall be deemed to be a cure by Trustor and shall be accepted by the Beneficiary as if made or tendered by Trustor.

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 appraisalment before sale of any portion of the Trust Estate, (b) all rights of redemption, valuation, appraisalment, 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: Riverside Cedar Glen Partners II LP
c/o Palm Communities, Inc.
100 Pacifica, Suite 205
Irvine, CA 92618-7451
Attn: Danavon L. Horn

Copy to: Boston Capital Direct Placement, A Limited
Partnership
c/o Boston Capital Partners, Inc.
One Boston Place, 21st Floor
Boston, MA 02108
Attn: Asset Management (Cedar Glen II)

And to: Holland & Knight LLP
10 St. James Avenue, 11th Floor
Boston, MA 02116
Attn: Jennifer C. Whalen, Esq

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

Copy 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 out- standing 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.

“DEVELOPER”

RIVERSIDE CEDAR GLEN PARTNERS II LP, a California limited partnership

By: PC RIVERSIDE DEVELOPERS II LLC, a California limited liability company, its administrative general partner

By: PALM COMMUNITIES, a California corporation, its sole member and manager

By: _____
Title:

By: _____
Title:

By: LAS PALMAS HOUSING & DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation, its managing general partner

By: _____
Joseph M. Michaels, President

EXHIBIT A

LEGAL DESCRIPTION

[Attached]

EXHIBIT "A"
LEGAL DESCRIPTION

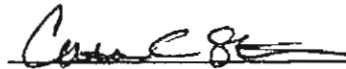

Address: 9830 County Farm Road
A.P.N.: 145-260-031

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

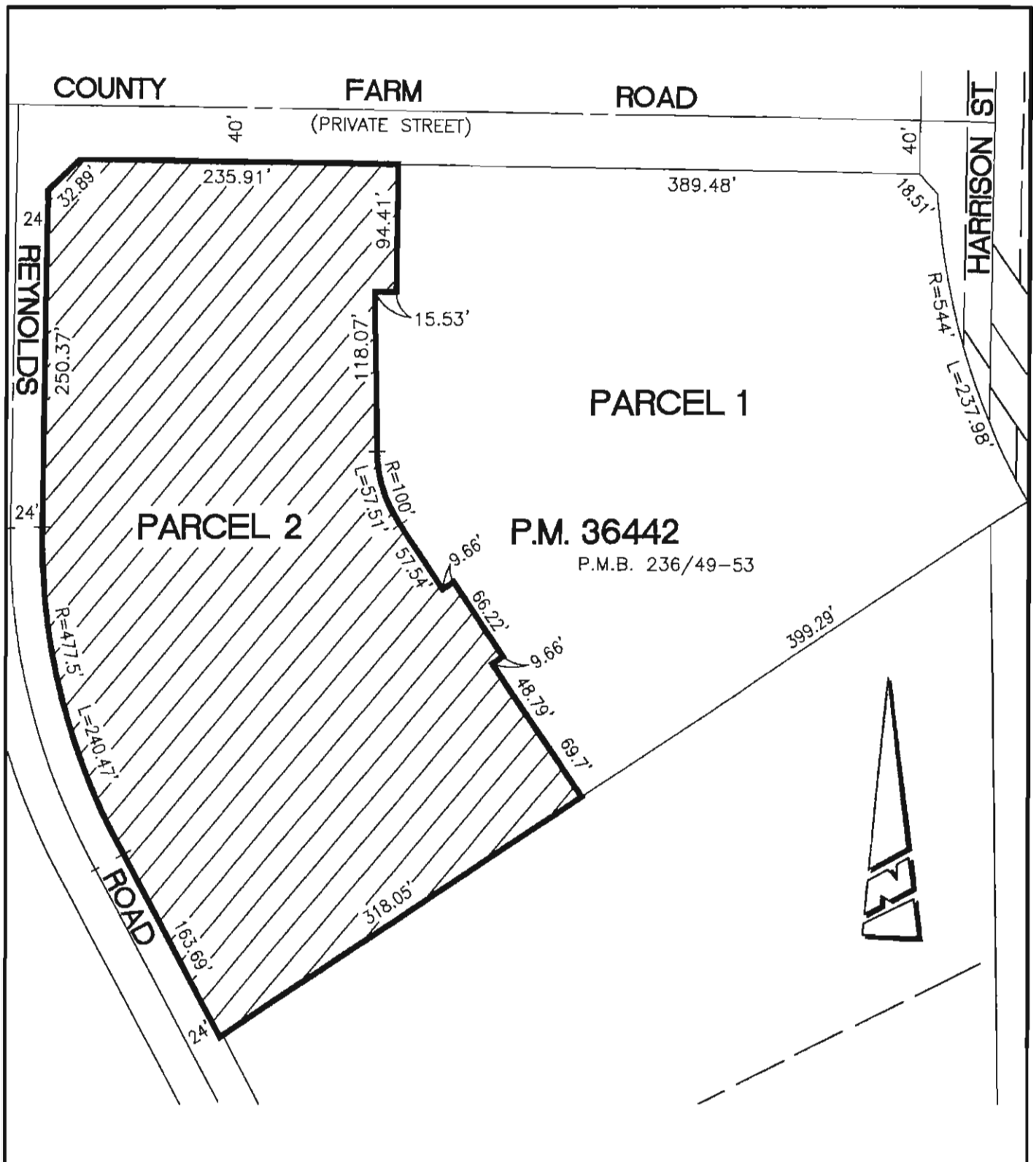
Parcel 2 of Parcel Map No. 36442 as shown by map on file in Book 236, Pages 49 through 53 inclusive of Parcel Maps, Records of Riverside County, California.

Area – 3.776 Acres

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

 2/22/18 Prep 
Curtis C. Stephens, L.S. 7519 Date





• CITY OF RIVERSIDE, CALIFORNIA •

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE ATTACHED DOCUMENT. IT IS NOT A PART OF THE WRITTEN DESCRIPTION THEREIN.

SHEET 1 OF 1

SCALE: 1"=100'

DRAWN BY: CURT

DATE: 2/22/18

SUBJECT: CEDAR GLEN II - 3830 COUNTY FARM ROAD

ATTACHMENT 8
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: Cedar Glen II)

(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 ____ 20__, by and between the HOUSING AUTHORITY OF THE CITY OF RIVERSIDE, a public entity ("***Authority***") and RIVERSIDE CEDAR GLEN PARTNERS II 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 was 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.*, "***Housing Authority Law***").

B. The Developer 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, the Authority and the Developer have entered into that certain Loan Agreement dated for identification purposes only as of July 2, 2018, and a First Amendment to that Loan Agreement dated for identification purposes only as of _____ (hereafter collectively "***Loan Agreement***"), and

said Loan Agreement is incorporated herein by this reference and 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 ("**Authority Loan**") to the Developer in connection with the development 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 ("**Site**"), to consist of fifty (50) residential units on the Site, including fifteen (15) Affordable Units, together with any improvements appurtenant thereto ("**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 fifteen (15) one-bedroom Units to be constructed and maintained on the Site and restricted to and available to Extremely 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.

"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 the preamble of this 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.

"Extremely Low-Income Household" means a Household whose gross annual income does not exceed thirty (30%) 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.

“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” has the meaning set forth at Recital D.

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

“Operating Reserve” is defined in Section 3F. 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 Extremely Low-Income Household” means a Household whose gross annual income does not exceed thirty (30%) 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.

“Qualified Household” means a Qualified Extremely Low-Income Household.

“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. 13 to the Loan Agreement.

“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.

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 Project as a housing development containing forty-nine (49) Units; and (ii) make available, restrict occupancy to, and rent at an Affordable Rent fifteen (15) one-bedroom Units, which shall be available to Extremely Low-Income Households.

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 and rent at an Affordable Rent fifteen (15) one-bedroom Units to Qualified Extremely Low-Income Households.

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 2 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 an Extremely 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 Extremely 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 a term of 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, genetic information, familial status, source of income, or disability, mental or physical, in the advertising, 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, sexual orientation, gender, gender identity, gender expression, marital status, national origin, ancestry, genetic information, familial status, source of income, or disability, mental or physical, in the advertising, 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, sexual orientation, gender, gender identity, gender expression, marital status, national origin, ancestry, genetic information, familial status, source of income, or disability, mental or physical, in the advertising, 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, sexual orientation, gender, gender identity, gender expression, marital status, national origin, ancestry, genetic information, familial status, source of income, or disability, mental or physical, in the advertising, 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 ("***Property Manager***"). If applicable, 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 twenty (20) 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 Fifty 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 ("***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 ("***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 two business days' 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 three business days 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 and the rights of creditors with security interests in the Site, 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.H., 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 ("***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 7 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 Authority and City.** The Authority and the City each have 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 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, "*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.

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 2.2 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:	Riverside Cedar Glen Partners II LP
	c/o Palm Communities
	100 Pacifica, Suite 205
	Irvine, CA 92618-7451
	Attn: Danavon L. Horn

Copy to: Boston Capital Direct Placement, A Limited Partnership
c/o Boston Capital Partners, Inc.
One Boston Place, 21st Floor
Boston, MA 02108
Attn: Asset Management (Cedar Glen II)

And to: Holland & Knight LLP
10 St. James Avenue, 11th Floor
Boston, MA 02116
Attn: Jennifer C. Whalen, Esq.

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

Copy to: 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. 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”

RIVERSIDE CEDAR GLEN PARTNERS II LP, a California limited partnership

By: PC RIVERSIDE DEVELOPERS II LLC, a California limited liability company, its administrative general partner

By: PALM COMMUNITIES, a California corporation, its sole member and manager

By: _____
Title: _____

By: _____
Title: _____

By: LAS PALMAS HOUSING & DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation, its managing general partner

By: _____
Joseph M. Michaels, President

“AUTHORITY”

HOUSING AUTHORITY OF THE CITY OF RIVERSIDE,
a public entity

By: _____
Executive Director

ATTESTED TO:

By: _____
Authority Secretary

APPROVED AS TO FORM:

By: _____
Authority General Counsel

EXHIBIT A

LEGAL DESCRIPTION

EXHIBIT "A"
LEGAL DESCRIPTION

Address: 9830 County Farm Road
A.P.N.: 145-260-031

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

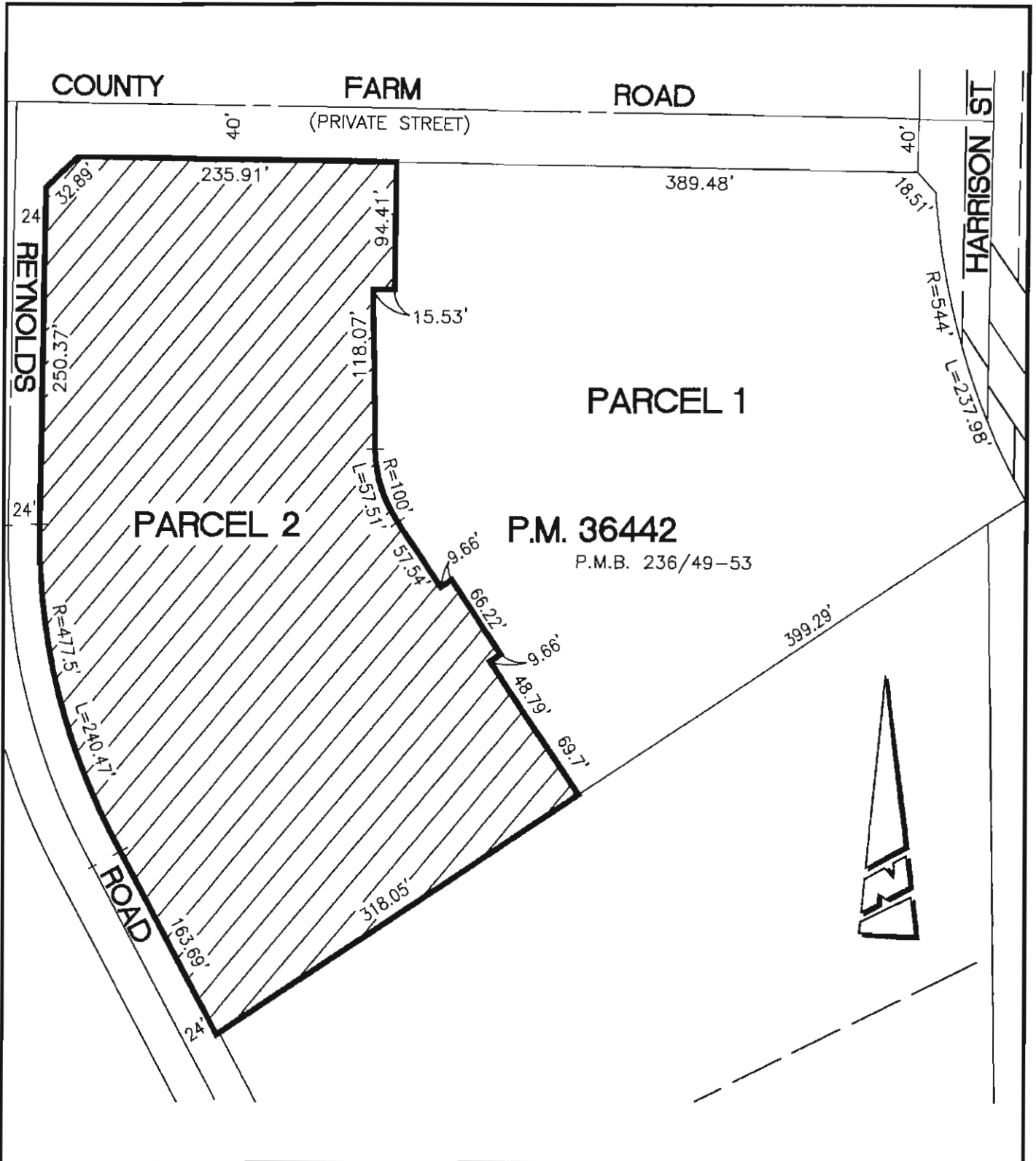
Parcel 2 of Parcel Map No. 36442 as shown by map on file in Book 236, Pages 49 through 53 inclusive of Parcel Maps, Records of Riverside County, California.

Area – 3.776 Acres

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

Curtis C. Stephens 2/22/18 Prep (S)
Curtis C. Stephens, L.S. 7519 Date





• CITY OF RIVERSIDE, CALIFORNIA •

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE ATTACHED DOCUMENT. IT IS NOT A PART OF THE WRITTEN DESCRIPTION THEREIN.

SHEET 1 OF 1

SCALE: 1"=100'

DRAWN BY: CURT

DATE: 2/22/18

SUBJECT: CEDAR GLEN II - 3830 COUNTY FARM ROAD