

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

422



FROM: Economic Development Agency

SUBMITTAL DATE:
September 28, 2009

SUBJECT: Amendment to HOME and CDBG Loan Agreements for Scattered Affordable Housing Projects

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached First Amendment to the HOME Investment Partnerships Act Grant Funds (HOME) Loan Agreement and Promissory Note between the County of Riverside and Indio Desert Palms Limited Partnership;
2. Approve the attached Second Amendment to the Community Development Block Group Grant (CDBG) Loan Agreement and Promissory Note between the County of Riverside, Housing Corporation of America, and Indio Desert Palms Limited Partnership;
3. Approve the attached First Amendment to HOME Agreement, Promissory Note and Deed of Trust With Assignment of Rents between the County of Riverside and Heacock Cottonwood Limited Partnership;
4. Approve the attached First Amendment to HOME Agreement, Promissory Note and Deed of Trust with Assignment of Rents between the County of Riverside and Hemet Vistas I Limited Partnership;

(Continued)

Robert Field

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA

Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
Annual Net County Cost:	\$ 0	For Fiscal Year:	2009/2010

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: HOME Investment Partnerships Act Grant Funds and Community Development Block Grant Funds	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: *Jennifer L. Sargent*
Jennifer L. Sargent

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: MICHELLE CLACK
DATE: 9/21/09
Departmental Concurrence

Dep't Recomm.: Consent Policy
Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: 2009-08-10: SJ

District: 2nd, 3rd, 4th, 5th | Agenda Number: **3.13**

ATTACHMENTS FILED WITH THE CLERK OF THE BOARD

RECOMMENDED MOTION: (Continued)

5. Approve the attached Second Amendment to HOME Agreement, Promissory Note and Deed of Trust With Assignment of Rents between the County of Riverside and Frederick and 52nd Limited Partnership;
6. Approve the attached Third Amendment to HOME Agreement, Promissory Note and Deed of Trust With Assignment of Rents between the County of Riverside and Mission Larue Limited Partnership;
7. Approve the attached Third Amendment to HOME Agreement, Promissory Note and Deed of Trust With Assignment of Rents between the County of Riverside and Heacock Cottonwood II Limited Partnership;
8. Authorize the Chairman of the Board to sign the attached Agreements; and
9. Authorize the Assistant County Executive Officer/EDA or designee to take all necessary steps to implement these Agreements including, but not limited to, signing subsequent, essential and relevant documents.

BACKGROUND:

Palm Desert Development Company (PDDC), a California Corporation who is the Administrative General Partner ("AGP") for various Limited Partnerships that have financing agreements with the County of Riverside, is requesting to amend the County's loan agreements to allow for a fixed AGP fee.

PDDC, as AGP, is responsible for administration of all conventional loans, soft loans, property/general liability insurance renewals, California Tax Credit Allocation Committee reporting, investor reporting, federal and state tax returns, annual audited financial statements, annual budget preparation, and monthly operating statement/occupancy report review and analysis. PDDC, thus far, has been performing their AGP duties with minimal reimbursement from the respective properties.

Each of the County loan agreements contain annual monitoring management fees that are to be paid from available cash flow, after operating expenses, reserves, and debt service. One such fee is an Administrative General Partner Fee ("Fee") payable to the AGP. This Fee is to guarantee that the AGP remains in the partnership throughout the affordability period of the loan and continues to have a vested financial incentive to properly manage the properties. The annual debt payment for the County loan is paid from available cash flow prior to this Fee. This priority has virtually eliminated payment of the Fee to the AGP. Amending the above referenced County loan agreements will provide a fixed annual Fee of \$50,000 to be paid to the Administrative General Partner.

PDDC has obtained written approvals from all the lenders senior to the County loans to amend all the agreements referenced above. Altogether PDDC is requesting to amend six (6) HOME Loan Agreements and one (1) CDBG Loan Agreement.

County Counsel has reviewed and approved the attached Agreements as to form. Staff recommends that the Board approve the attached documents.

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

County of Riverside
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
Attn. Tom Fan

Exempt Recording Fee Code 6103

Space Above This Line For Recorder's Use

**SECOND AMENDMENT TO CDBG LOAN AGREEMENT AND PROMISSORY NOTE
(County)**

THIS SECOND AMENDMENT TO CDBG LOAN AGREEMENT AND PROMISSORY NOTE (this "Amendment") is entered into as of _____, 2009 by and among **THE COUNTY OF RIVERSIDE**, a political subdivision of the State of California (the "County"), **HOUSING CORPORATION OF AMERICA**, a Utah nonprofit corporation, and **INDIO DESERT PALMS LIMITED PARTNERSHIP**, a California limited partnership (the "Partnership").

RECITALS

A. The County and the Housing Corporation of America ("HCA") entered into that certain CDBG Loan Agreement, dated as of November 9, 1993 (the "Loan Agreement"), which provides for construction and permanent financing of an affordable rental housing development and sets aside 73 of the 142 units for low and moderate-income households (the "Development") on certain land in Indio, California, as more particularly described in Exhibit A attached hereto and incorporated herein (the "Site").

B. Pursuant to the Loan Agreement, the County agreed to lend to HCA Four Hundred Ninety Five Thousand Dollars (\$495,000.00) (the "Loan"). The Loan Agreement is evidenced by a promissory note (the "Promissory Note"), which is secured by a deed of trust with assignment of rents (the "Deed of Trust").

C. The County, HCA and the Partnership entered into the First Amendment to the Loan Agreement and Allonge to the Promissory Note, dated as of July 23, 1996 (the "First Amendment") recorded in the Office of the Recorder of the County of Riverside as Document No. 284215 on July 30, 1996, which modified certain terms of the Loan and added the Partnership as a co-borrower. The First Amendment is secured by a deed of trust and security agreement dated as of July 23, 1996, record in the office of the Recorder of the County of Riverside as Document No. 284214 (the "CDBG Deed of Trust"), the Loan Agreement, Promissory Note and First Amendment and Deed of Trust are collectively referred to herein as the "County Documents".

D. The parties desire to amend the County Documents in order to include more specific repayment requirements in the County Documents.

E. Capitalized terms which are not defined herein shall have the meaning ascribed to them in the Loan Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 12 of the Loan Agreement, as amended by the First Amendment, and subparagraph (a) of the Allonge to the Promissory Note, are hereby deleted, and replaced in their entirety with the following:

All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on upon the expiration of the term, which shall be thirty (30) years from the date on which the initial disbursement of loan funds was made pursuant to the Loan Agreement, as amended. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year.

2. Section 3 of the Loan Agreement is hereby deleted, and replaced in its entirety with the following

Section 3: Low and/or Moderate Income Households. Recipient will set aside seventy-three (73) units of the Development to be designated as floating affordable units, to households whose incomes do not exceed sixty percent (60%) of the median family income for the Riverside County, adjusted by family size, at the time of occupancy. Not less than fifty percent (50%) of the total Assisted Units shall be reserved for very low income households whose incomes do not exceed fifty percent (50%) area median income for the County, adjusted by family size at the time occupancy. The County shall review and approve proposed rents to the extent required under this section. The period of affordability shall be 30 years from November 9, 1993, the date the original Loan Agreement was executed.

3. Governing Law. This Amendment shall be governed by and construed in accordance with California law.

4. Conflicts. In the event of any conflict or inconsistency between the terms of this Amendment and any of the County Documents, this Amendment shall prevail. Except as amended herein, the County Documents shall remain unmodified and in full force and effect.

5. Counterparts. This Amendment may be executed in counterparts, and each shall constitute an original and all taken together shall constitute one Amendment.

NOW THEREFORE, the parties hereto have executed this Amendment as of the date first set forth above.

PARTNERSHIP:

HCA:

HOUSING CORPORATION OF AMERICA,
a Utah nonprofit corporation

By: _____

Name: _____

Its: _____

PARTNERSHIP:

INDIO DESERT PALMS LIMITED PARTNERSHIP,
a California limited partnership

By: Palm Desert Development Company, a
California corporation, its Administrative General Partner

By: _____

Name: _____

Its: _____

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

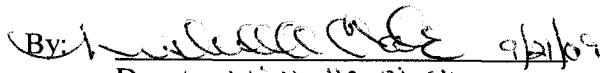
COUNTY:

COUNTY OF RIVERSIDE

By: _____
Jeff Stone, Chairman,
Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By:  9/21/09
Deputy Michelle Clark

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

Description of the real property
on which the Project is located

Location:

46575 Clinton St
Indio, CA 92201

Legal
Description:

PARCEL 1, AS SHOWN BY PARCEL MAP RECORDED JANUARY 23, 1968 IN BOOK 1
PAGE 11, OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

County of Riverside
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
Attn. Tom Fan

Exempt Recording Fee Code 6103

Space Above This Line For Recorder's Use

**FIRST AMENDMENT TO HOME LOAN AGREEMENT AND PROMISSORY NOTE
(County)**

**THIS FIRST AMENDMENT TO HOME LOAN AGREEMENT AND
PROMISSORY NOTE** (this "Amendment") is entered into as of _____, 2009 by
and between **THE COUNTY OF RIVERSIDE**, a political subdivision of the State of California
(the "County"), and **INDIO DESERT PALMS LIMITED PARTNERSHIP**, a California
limited partnership (the "Partnership").

RECITALS

A. The County and the Partnership entered into that certain HOME Agreement, dated on or about January 30, 1996 (the "HOME Agreement"), which provides for construction and permanent financing of an affordable rental housing development and sets aside eleven (11) of the units to be HOME-assisted (the "Development") on certain land in Indio California as more particularly described in Exhibit A attached hereto and incorporated herein (the "Site").

B. Pursuant to the HOME Agreement, the County agreed to lend to the Partnership Five Hundred Thousand Dollars (\$500,000.00) (the "Loan"). The HOME Agreement is evidenced by a promissory note (the "Promissory Note"), which is secured by a deed of trust with assignment of rents dated April 3, 1996 (the "Deed of Trust") recorded in the Office of the Recorder of the County of Riverside as Document No. 124732 on April 5, 1996. The Loan Agreement and Promissory Note are collectively referred to herein as the "County Documents".

C. The parties desire to amend the County Documents in order to include more specific repayment requirements in the County Documents.

D. Capitalized terms which are not defined herein shall have the meaning ascribed to them in the HOME Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 4(d) of the HOME Agreement and Section (iii) Repayment of the Promissory Note are hereby deleted in their entirety and replaced with the following:

All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable upon the expiration of the term, which shall be thirty (30) years from the date on which the initial disbursement of loan funds was made pursuant to the Loan Agreement, as amended. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year.

3. Governing Law. This Amendment shall be governed by and construed in accordance with California law.

4. Conflicts. In the event of any conflict or inconsistency between the terms of this Amendment and any of the County Documents, this Amendment shall prevail. Except as amended herein, the County Documents shall remain unmodified and in full force and effect.

5. Counterparts. This Amendment may be executed in counterparts, and each shall constitute an original and all taken together shall constitute one Amendment.

[SIGNATURE PAGE FOLLOWS]

NOW THEREFORE, the parties hereto have executed this Amendment as of the date first set forth above.

PARTNERSHIP:

INDIO DESERT PALMS LIMITED PARTNERSHIP, a
California limited partnership

By: Palm Desert Development Company, a
California corporation, its Administrative General Partner

By: _____

Name: _____

Its: _____

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

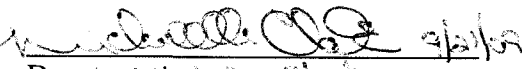
COUNTY:

COUNTY OF RIVERSIDE

By: _____
Jeff Stone,
Chairman, Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By:  2/21/09
Deputy Michelle Clark

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

Description of the real property
on which the Project is located

Location:

46575 Clinton St
Indio, CA 92201

Legal
Description:

PARCEL 1, AS SHOWN BY PARCEL MAP RECORDED JANUARY 23, 1968 IN BOOK 1
PAGE 11, OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

County of Riverside
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
Attn. Tom Fan

Exempt Recording Fee Code 6103

Space Above This Line For Recorder's Use

**FIRST AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY NOTE AND
DEED OF TRUST WITH ASSIGNMENT OF RENTS
(County)**

**FIRST AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY NOTE
AND DEED OF TRUST WITH ASSIGNMENT OF RENTS** (this "Amendment") is entered
into as of _____, 2009 by and between the **COUNTY OF RIVERSIDE**, a
California public entity (the "County"), and **HEACOCK COTTONWOOD LIMITED
PARTNERSHIP**, a California limited partnership (the "Partnership").

RECITALS

A. The County and the Partnership entered into that certain Loan Agreement for the Use of HOME Funds, dated as of September 15, 1998 (the "Loan Agreement"), which provides for construction and permanent financing of an affordable rental housing development and sets aside eleven (11) units to be HOME-assisted units (the "Development") on certain land in Moreno Valley, California (the "Site") as more particularly described in Exhibit A attached hereto and incorporated herein (the "Site").

B. Pursuant to the Loan Agreement the County agreed to lend to the Partnership Five Hundred Fifty Thousand Dollars (\$550,000.00) (the "Loan"). The Loan Agreement dated September 15, 1998 is evidenced by a promissory note (the "Promissory Note"), which is secured by a deed of trust with assignment of rents (the "Deed of Trust") dated August 14, 1998 and recorded in the Office of the Recorder of the County of Riverside as Document No. 406367 on September 24, 1998 (collectively the "County Documents").

C. The Partnership entered into that certain Owner Participation Agreement with the Community Redevelopment Agency of the City of Moreno Valley ("Agency") dated December 1, 1997 and recorded in the Office of the Recorder of the County of Riverside as Document No. 33164 on January 30, 1998, pursuant to which the Partnership received a loan in the amount of One Million Five Hundred Thousand Dollars (\$1,500,000) (the "Agency Loan"). The Agency Loan was increased by Two Hundred Thousand Dollars (\$200,000) pursuant to the Second Amendment to Owner Participation Agreement dated as of May 25, 1999 and recorded in the Office of the Recorder of the County of Riverside as Document No. 286795 on June 28, 1999, for a total Agency Loan of One Million Seven Hundred Thousand Dollars (\$1,700,000). The Agency Loan is evidenced by a promissory note and secured by a deed of trust with assignment

of rents dated May 25, 1999 and recorded in the Office of the Recorder of the County of Riverside as Document No. 291927 on June 30, 1999.

D. The Partnership entered into that certain Loan Agreement with the City of Moreno Valley ("City") dated July 22, 1998 and recorded in the Office of the Recorder of the County of Riverside as Document No. 405168 on September 23, 1998, pursuant to which the Partnership received a loan in the amount of Five Hundred Fifty Thousand Dollars (\$550,000.00) (the "City Loan"). The City Loan is evidenced by a promissory note and secured by a deed of trust with assignment of rents dated July 22, 1998 and recorded in the Office of the Recorder of the County of Riverside as Document No. 405169 on September 23, 1998.

E. The parties desire to amend the County Documents in order to clarify certain repayment provisions under the Loan.

F. Capitalized terms which are not defined herein shall have the meaning ascribed to them in the Loan Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Home Loan Agreement. Section 4.d of the HOME Loan relating to repayment of the Loan is hereby deleted and is replaced with the following:

d. Repayment. All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on July 1, 2028. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the Agency Loan and the City Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County, the Agency and the City shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the Agency.

2. HOME Loan Agreement. Section 5.d of the HOME Loan relating to rent limitations and income targeting requirements is hereby deleted and is replaced with the following:

d. Rent Limitations/Income Targeting Requirements. Partnership will set aside a total of eleven (11) units of the Development to be designated as floating HOME-assisted units. All HOME-assisted units (five (5) 3-Bedroom and six (6) 4-Bedroom units) shall be designated as Low HOME units which are limited to households whose incomes do not exceed fifty percent (50%) of median family income for the Riverside County, adjusted by family size, at the time of occupancy. Partnership shall comply with the rent limitations set forth under 24 CFR 92.252. The COUNTY shall review and approve proposed rents to the extent required under this section. Partnership shall ensure that the HOME-assisted units are rented to qualified applicants at the HOME rent levels published by HUD from time to time in accordance with the requirements set forth at 24 C.F. R 92.252, 92.255, and 92.256.

3. Promissory Note. The second paragraph of the Promissory Note is hereby deleted and replaced with the following:

All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on July 1, 2028. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the Agency Loan and the City Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County, the Agency and the City shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the Agency.

4. Deed of Trust. The second paragraph of the Deed of Trust with Assignment of Rents is hereby amended in its entirety to read as follows:

The Note provides for: **All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on July 1, 2028. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow**

remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the Agency Loan and the City Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County, the Agency and the City shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the Agency.

5. Governing Law. This Amendment shall be governed by and construed in accordance with California law.

6. Conflicts. In the event of any conflict or inconsistency between the terms of this Amendment and any of the County Documents, this Amendment shall prevail. Except as amended herein, the County Documents shall remain unmodified and in full force and effect.

7. Counterparts. This Amendment may be executed in counterparts, and each shall constitute an original and all taken together shall constitute one Amendment.

[SIGNATURE PAGE FOLLOWS]

NOW THEREFORE, the parties hereto have executed this Amendment as of the date first set forth above.

PARTNERSHIP:

HEACOCK COTTONWOOD, LIMITED PARTNERSHIP, a
California limited partnership

By: Palm Desert Development Company,
a California corporation,
its Administrative General Partner

By: _____

Name: _____

Its: _____

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

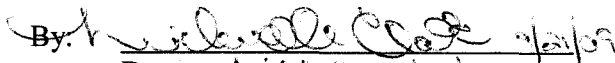
COUNTY:

COUNTY OF RIVERSIDE

By: _____
Jeff Stone, Chairman,
Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By:  7/21/09
Deputy Michelle Clark

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

EXHIBIT A

LEGAL DESCRIPTION

ALL THAT CERTAIN REAL PROPERTY SITUATED IN THE CITY OF MORENO VALLEY, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

THOSE PORTIONS OF LOTS 3 AND 4 AND HEACOCK STREET IN BLOCK 98, MAP NUMBER 1, BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 OF MAPS AT PAGE 10, OFFICIAL RECORDS OF SAN BERNARDINO COUNTY, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF PARCEL 4100-39 AS SAID PARCEL IS SHOWN ON THAT CERTAIN RECORD OF SURVEY FILED FOR RECORD ON APRIL 11, 1967 IN BOOK 50 OF RECORDS OF SURVEY AT PAGES 49 THROUGH 53, INCLUSIVE, IN THE OFFICE OF THE COUNTY RECORDER OF SAID RIVERSIDE COUNTY;

THENCE, S 18° 43' 53" W ALONG THE WEST LINE OF SAID PARCEL FOR A DISTANCE OF 123.67 FEET TO AN ANGLE POINT IN SAID WEST LINE;

THENCE, S 06° 25' 24" W ALONG SAID WEST LINE FOR A DISTANCE OF 56.35 FEET TO AN ANGLE POINT IN SAID WEST LINE;

THENCE, S 18° 43' 53" W ALONG SAID WEST LINE FOR A DISTANCE OF 367.69 FEET;

THENCE, AT RIGHT ANGLES TO SAID WEST LINE, N 71° 16' 07" W FOR A DISTANCE OF 119.17 FEET;

THENCE, AT RIGHT ANGLES TO LAST SAID LINE, S 18° 43' 53" W FOR A DISTANCE OF 18.00 FEET;

THENCE, AT RIGHT ANGLES TO LAST SAID LINE, N 71° 16' 07" W FOR A DISTANCE OF 72.45 FEET;

THENCE, AT RIGHT ANGLES TO LAST SAID LINE, N 18° 43' 53" E FOR A DISTANCE OF 17.89 FEET TO THE INTERSECTION THEREOF WITH A LINE PARALLEL TO, AND DISTANT 500.00 FEET SOUTHERLY FROM, THE CENTERLINE OF COTTONWOOD AVENUE (80.00 FEET WIDE) AS SHOWN ON SAID RECORD OF SURVEY;

THENCE, ALONG SAID PARALLEL LINE, N 89° 59' 40" W FOR A DISTANCE OF 411.08 FEET;

THENCE, AT RIGHT ANGLES TO LAST SAID LINE, N 00° 00' 20" E FOR A DISTANCE OF 500.00 FEET TO THE INTERSECTION THEREOF WITH SAID CENTERLINE;

THENCE, S 89° 59' 40" E ALONG SAID CENTERLINE, FOR A DISTANCE OF 776.57 FEET TO THE INTERSECTION THEREOF WITH THE WEST LINE OF PARCEL 4100-1G AS SAID PARCEL IS SHOWN ON SAID RECORD OF SURVEY;

THENCE, S 26° 27' 20" W ALONG LAST SAID WEST LINE FOR A DISTANCE OF 44.75 FEET TO THE POINT OF BEGINNING;

CONTAINING 8.135 ACRES

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

County of Riverside
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
Attn. Tom Fan

Exempt Recording Fee Code 6103

Space Above This Line For Recorder's Use

**FIRST AMENDMENT TO HOME AGREEMENT, PROMISSORY NOTE AND DEED
OF TRUST WITH ASSIGNMENT OF RENTS
(County)**

**FIRST AMENDMENT TO HOME AGREEMENT, PROMISSORY NOTE AND
DEED OF TRUST WITH ASSIGNMENT OF RENTS** (this "Amendment") is entered into as
of _____, 2009 by and between the **COUNTY OF RIVERSIDE**, a California
public entity (the "County"), and **HEMET VISTAS I LIMITED PARTNERSHIP.**, a
California limited partnership (the "Partnership").

RECITALS

A. The County and the Partnership entered into that certain Loan Agreement for the use of HOME Funds, dated as of February 4, 1997 (the "Loan Agreement"), which provides for construction and permanent financing of an affordable rental housing development and sets aside eleven (11) units to be HOME-assisted units (the "Development") on certain land in the City of Hemet, California, as more particularly described in Exhibit A attached hereto and incorporated herein (the "Site").

B. Pursuant to the Loan Agreement the County agreed to lend to the Partnership One Million Two Hundred Thousand Dollars (\$1,200,000.00) (the "Loan"). The Loan Agreement is evidenced by a promissory note (the "Promissory Note"), which is secured by a deed of trust with assignment of rents dated April 1, 1997 (the "Deed of Trust") recorded in the Office of the Recorder of the County of Riverside as Document No. 108877 on April 1, 1997.

C. The Loan Agreement, Promissory Note, Deed of Trust, and all other documents evidencing or securing the Loan are collectively referred to herein as the "County Documents."

D. Palm Desert Development Company, predecessor in interest to Partnership, entered into that certain Disposition and Development Agreement dated November 14, 1995, with the Redevelopment Agency for the County of Riverside ("DDA") recorded in the Office of the Recorder of the County of Riverside as Document No. 183679 on May 17, 1996, as amended by that certain Amendment to Disposition and Development Agreement dated as of May 7, 1996 (the "First Amendment to DDA") recorded in the Office of the Recorder of the County of Riverside as Document No. 183680 on May 17, 1996, as amended by that certain Second Amendment to Disposition and Development Agreement dated as of May 26, 1998 (the "Second

Amendment to DDA”), pursuant to which the Partnership received a loan in the amount of Two Hundred Sixty Five Thousand Dollars (\$265,000) (the "RDA Loan"), evidenced by a promissory note, which is secured by a deed of trust with assignment of rents dated May 20, 1999 (the "RDA Deed of Trust") recorded in the Office of the Recorder of the County of Riverside as Document No. 1999-290100 on June 29, 1999.

E. The parties desire to further amend the County Documents in order to clarify certain repayment provisions under the Loan.

F. Capitalized terms which are not defined herein shall have the meaning ascribed to them in the Loan Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Home Loan Agreement. Section 4.d of the HOME Loan relating to repayment of the Loan is hereby deleted and is replaced with the following:

Section 4.d. Repayment. All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2027. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the RDA Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the RDA shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the RDA.

2. Rent Limitation/Income Targeting. Section 5.d of the HOME Loan relating to rent restrictions and income targeting requirements is hereby deleted and is replaced with the following:

Section 5.d. Rent Limitation/Income Targeting. Partnership will set aside a total of eleven (11) units of the Development to be designated as floating HOME-assisted units. All HOME-assisted units (six (6) 3-Bedroom and five (5) 4-Bedroom units) shall be designated as Low HOME units which are limited to households whose incomes do not exceed fifty percent (50%) of median family income for the Riverside County, adjusted by family size, at the time of

occupancy. Partnership shall comply with the rent limitations set forth under 24 CFR 92.252. The COUNTY shall review and approve proposed rents to the extent required under this section. Partnership shall ensure that the HOME-assisted units are rented to qualified applicants at the HOME rent levels published by HUD from time to time in accordance with the requirements set forth at 24 C.F. R 92.252, 92.255, and 92.256.

3. Promissory Note. The second paragraph of the Promissory Note is hereby deleted and replaced with the following:

All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2027. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the RDA Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the RDA shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the RDA.

4. Deed of Trust. The second paragraph of the Deed of Trust with Assignment of Rents is hereby amended in its entirety to read as follows:

The Note provides for: All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2027. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal

year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the RDA Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the RDA shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the RDA.

5. Governing Law. This Amendment shall be governed by and construed in accordance with California law.

6. Conflicts. In the event of any conflict or inconsistency between the terms of this Amendment and any of the County Documents, this Amendment shall prevail. Except as amended herein, the County Documents shall remain unmodified and in full force and effect.

7. Counterparts. This Amendment may be executed in counterparts, and each shall constitute an original and all taken together shall constitute one Amendment.

[SIGNATURE PAGE FOLLOWS]

NOW THEREFORE, the parties hereto have executed this Amendment as of the date first set forth above.

PARTNERSHIP:

HEMET VISTAS I LIMITED PARTNERSHIP, a
California limited partnership

By: Palm Desert Development Company,
a California corporation,
its Administrative General Partner

By: _____

Name: _____

Its: _____

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

COUNTY:

COUNTY OF RIVERSIDE

By: _____
Jeff Stone,
Chairman, Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By: *Michelle Clark* 9/21/08
Deputy Michelle Clark

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

County of Riverside
Economic Development Agency
1325 Spruce Street, Suite 400
Riverside, CA 92507
Attn. Tom Fan

Exempt Recording Fee Code 6103

Space Above This Line For Recorder's Use

**SECOND AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY NOTE
AND DEED OF TRUST WITH ASSIGNMENT OF RENTS
(County)**

**SECOND AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY
NOTE AND DEED OF TRUST WITH ASSIGNMENT OF RENTS** (this "Amendment") is
entered into as of _____, 2009 by and between **THE COUNTY OF RIVERSIDE**,
a California public entity (the "County"), and **FREDERICK & 52ND LIMITED
PARTNERSHIP**, a California limited partnership (the "Partnership").

RECITALS

A. The County and the Partnership entered into that certain HOME Agreement, dated December 19, 2000, as amended by that certain Amendment to HOME Agreement and Use of HOME Funds dated as of October 16, 2001 (collectively the "Loan Agreement"), which provides for construction and permanent financing of an affordable rental housing development and sets aside eleven (11) units to be HOME-assisted units (the "Development") on certain land in the City of Coachella, California, as more particularly described in Exhibit A attached hereto and incorporated herein (the "Site").

B. Pursuant to the Loan Agreement the County agreed to lend to the Partnership Four Hundred Fifty Thousand Dollars (\$450,000.00) (the "Loan"). The Loan Agreement is evidenced by a promissory note (the "Promissory Note"), which is secured by a deed of trust with assignment of rents (the "Deed of Trust") dated December 19, 2000 and recorded in the Office of the Recorder of the County of Riverside as Document No. 2001-009018 on January 9, 2001. The Loan Agreement, Promissory Note, and Deed of Trust, and all other documents evidencing or securing the Loan are collectively referred to herein as the "County Documents."

C. The County and Partnership entered into the First Amendment to HOME Agreement dated as of October 16, 2001, which Amended the Loan Agreement.

D. The parties desire to further amend the County Documents to amend the repayment requirements.

E. Capitalized terms which are not defined herein shall have the meaning ascribed to them in the Loan Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Home Loan Agreement. Section 4.d of the HOME Loan relating to repayment of the Loan is hereby deleted and is replaced with the following:

Repayment. All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2030. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year.

2. HOME Loan Agreement. Section 5.d of the HOME Loan relating to rent limitations and income targeting requirements is hereby deleted and is replaced with the following:

Rent Limitations/Income Targeting Requirements. Partnership will set aside a total of eleven (11) units of the Development to be designated as floating HOME-assisted units. All HOME-assisted units (six (6) 3-Bedroom and five (5) 4-Bedroom units) shall be designated as Low HOME units which are limited to households whose incomes do not exceed fifty percent (50%) of median family income for the Riverside County, adjusted by family size, at the time of occupancy. Partnership shall comply with the rent limitations set forth under 24 CFR 92.252. The COUNTY shall review and approve proposed rents to the extent required under this section. Partnership shall ensure that the HOME-assisted units are rented to qualified applicants at the HOME rent levels published by HUD from time to time in accordance with the requirements set forth at 24 C.F. R 92.252, 92.255, and 92.256.

3. Promissory Note. The second paragraph of the Promissory Note is hereby deleted and replaced with the following:

All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2030. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in

full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year.

4. Deed of Trust. The second paragraph of the Deed of Trust with Assignment of Rents is hereby amended in its entirety to read as follows:

The Note provides for: All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2030. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year.

5. Governing Law. This Amendment shall be governed by and construed in accordance with California law.

6. Conflicts. In the event of any conflict or inconsistency between the terms of this Amendment and any of the County Documents, this Amendment shall prevail. Except as amended herein, the County Documents shall remain unmodified and in full force and effect.

7. Counterparts. This Amendment may be executed in counterparts, and each shall constitute an original and all taken together shall constitute one Amendment.

[SIGNATURE PAGE FOLLOWS]

NOW THEREFORE, the parties hereto have executed this Amendment as of the date first set forth above.

PARTNERSHIP:

FREDERICK & 52ND LIMITED PARTNERSHIP, a
California limited partnership

By: Palm Desert Development Company,
a California corporation,
its Administrative General Partner

By: _____

Name: _____

Its: _____

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED


COUNTY:

COUNTY OF RIVERSIDE

By: _____
Jeff Stone,
Chairman, Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By:  9/27/01
Deputy Michelle Cocol

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

PARCEL A

THE LAND REFERRED TO IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF RIVERSIDE, CITY OF COACHELLA AND IS DESCRIBED AS FOLLOWS:

THAT PORTION OF LOT 2 OF THE COACHELLA LAND AND WATER COMPANY SUBDIVISION OF SECTION 7, TOWNSHIP 6 SOUTH, RANGE 8 EAST, SAN BERNARDINO BASE AND MERIDIAN, AS SHOWN BY MAP ON FILE IN BOOK 4 PAGE 53 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID LOT 2;

THENCE WEST, ON THE SOUTH LINE OF SAID LOT 2, 260 FEET TO THE SOUTHEAST CORNER OF THE PROPERTY ACQUIRED BY THE COACHELLA SCHOOL DISTRICT BY DEED RECORDED MARCH 8, 1963 AS INSTRUMENT NO. 30757 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA;

THENCE NORTH, ON THE EAST LINE OF SAID SCHOOL DISTRICT PARCEL, 660 FEET TO THE NORTHEAST CORNER THEREOF;

THENCE WEST, ON THE NORTH LINE OF SAID SCHOOL DISTRICT PARCEL, 660 FEET, MORE OR LESS, TO THE NORTHWEST CORNER OF SAID SCHOOL PARCEL AND THE TRUE POINT OF BEGINNING;

THENCE SOUTH, ON THE WEST LINE OF SAID SCHOOL DISTRICT PARCEL, TO THE SOUTH LINE OF SAID LOT 2;

THENCE WEST, ON THE SOUTH LINE OF SAID LOT 2, TO THE SOUTHWEST CORNER THEREOF;

THENCE NORTH, ON THE WEST LINE OF SAID LOT 2, TO THE NORTHWEST CORNER THEREOF;

THENCE EAST, ON THE NORTH LINE OF SAID LOT 2, 399 FEET, MORE OR LESS, TO A POINT DISTANT 920 FEET FROM THE NORTHEAST CORNER OF SAID LOT 2;

THENCE SOUTH TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM THE NORTH 30 FEET THEREOF AND THAT CERTAIN REAL PROPERTY DEDICATED TO THE CITY OF COACHELLA FOR STREET AND PUBLIC UTILITY PURPOSES LYING WITHIN PARCEL 1 AND PARCEL 2 OF INSTRUMENT NO. 520957 RECORDED DECEMBER 29, 2000, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

ALSO EXCEPTING THEREFROM THE EASTERLY 100 FEET THEREOF;

ALSO EXCEPTING THE SOUTHERLY 342 FEET THEREOF.

PARCEL B

THE LAND REFERRED TO IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF RIVERSIDE, CITY OF COACHELLA AND IS DESCRIBED AS FOLLOWS:

THE EASTERLY 100 FEET AND THE SOUTHERLY 342 FEET OF THE FOLLOWING DESCRIBED PROPERTY:

THAT PORTION OF LOT 2 OF THE COACHELLA LAND AND WATER COMPANY OF SECTION 7, TOWNSHIP 6 SOUTH, RANGE 8 EAST, SAN BERNARDINO BASE AND MERIDIAN, AS SHOWN BY MAP ON FILE IN BOOK 4 PAGE 53 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID LOT 2;

THENCE WEST, ON THE SOUTH LINE OF SAID LOT 2, 260 FEET TO THE SOUTHEAST CORNER OF THE PROPERTY ACQUIRED BY THE COACHELLA SCHOOL DISTRICT BY DEED RECORDED MARCH 8, 1963 AS INSTRUMENT NO. 30757 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA;

THENCE NORTH, ON THE EAST LINE OF SAID SCHOOL DISTRICT PARCEL, 660 FEET TO THE NORTHEAST CORNER THEREOF;

THENCE WEST, ON THE NORTH LINE OF SAID SCHOOL DISTRICT PARCEL, 660 FEET, MORE OR LESS, TO THE NORTHWEST CORNER OF SAID SCHOOL PARCEL AND THE TRUE POINT TO BEGINNING;

THENCE SOUTH, ON THE WEST LINE OF SAID SCHOOL DISTRICT PARCEL, TO THE SOUTH LINE OF SAID LOT 2;

THENCE WEST, ON THE SOUTH LINE OF LOT 2, TO THE SOUTHWEST CORNER THEREOF;

THENCE NORTH, ON THE WEST LINE OF SAID LOT 2, TO THE NORTHWEST CORNER THEREOF;

THENCE EAST, ON THE NORTH LINE OF SAID LOT 2, 399 FEET, MORE OR LESS, TO A POINT DISTANT 920 FEET FROM THE NORTHEAST CORNER OF SAID LOT 2;

THENCE SOUTH, TO THE TRUE POINT OF BEGINNING;

EXCEPTING THEREFROM THE NORTH 30 FEET THEREOF FOR ROAD PURPOSES;

ALSO EXCEPTING THE WESTERLY 44 FEET THEREOF FOR STREET AND PUBLIC UTILITY PURPOSES AS PER INSTRUMENT NO. 520957, RECORDED DECEMBER 20, 2000, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

<p>RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:</p> <p>County of Riverside Economic Development Agency 1325 Spruce Street, Suite 400 Riverside, CA 92507 Attn. Tom Fan</p>	
---	--

Exempt Recording Fee Code 6103

Space Above This Line For Recorder's Use

**THIRD AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY NOTE AND
DEED OF TRUST WITH ASSIGNMENT OF RENTS
(County)**

THIRD AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY NOTE AND DEED OF TRUST WITH ASSIGNMENT OF RENTS (this "Amendment") is entered into as of _____, 2009 by and between **THE COUNTY OF RIVERSIDE**, a California public entity (the "County"), and **MISSION LARUE LIMITED PARTNERSHIP**, a California limited partnership (the "Partnership").

RECITALS

A. The County and the Partnership entered into that certain Loan Agreement for the Use of HOME Funds, dated August 13, 2002 (the "Original Loan Agreement"), which provides for construction and permanent financing of an affordable rental housing development for independent living seniors and set aside eleven (11) units to be HOME-assisted units (the "Development") on certain land in Rubidoux, California, as more particularly described in Exhibit A attached hereto and incorporated herein (the "Site").

B. Pursuant to the Original Loan Agreement the County agreed to lend to the Partnership Five Hundred Thousand Dollars (\$500,000.00) (the "Loan"). The Loan Agreement is evidenced a promissory note (the "Promissory Note"), which is secured by a deed of trust with assignment of rents dated July 8, 2002 (the "Deed of Trust") recorded in the Office of the Recorder of the County of Riverside as Document No. 2002-555966 on October 4, 2002.

C. The parties entered into the First Amendment to the Loan Agreement, Promissory Note and Deed of Trust with Assignment of Rents dated as of December 10, 2002 (the "First Amendment") and that certain Second Amendment to the Loan Agreement, Promissory Note and Deed of Trust with Assignment of Rents dated as of July 12, 2005 (the "Second Amendment") recorded in the Office of the Recorder of the County of Riverside as Document No. 0826500 on October 5, 2005. The Original Loan Agreement, First Amendment, the Second Amendment and all other documents evidencing or securing the Loan are collectively referred to herein as the "Loan Agreement."

D. Palm Desert Development Company, predecessor in interest to Partnership, entered into that certain Disposition and Development Agreement dated June 12, 2001 with the

Riverside County Redevelopment Agency ("RDA") pursuant to which the Partnership received a loan in the amount of Two Hundred Fifty Thousand Dollars (\$250,000) (the "RDA Loan") as amended by that Certain First Amendment to Disposition and Development Agreement dated September 24, 2002, as amended by the certain Second Amendment to Disposition and Development Agreement dated September 9, 2003, pursuant to which the RDA Loan was increased by Five Hundred Thousand Dollars for a total RDA Loan of Seven Hundred Fifty Thousand Dollars (\$750,000). The RDA Loan is evidenced by a promissory note, which is secured by a deed of trust with assignment of rents dated September 9, 2003 recorded in the Office of the Recorder of the County of Riverside as Document No. 2003-722098 on September 17, 2003.

E. The parties desire to further amend the Loan Agreement, Promissory Note, and Deed of Trust to amend the repayment requirements.

F. Capitalized terms which are not defined herein shall have the meaning ascribed to them in the Loan Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Home Loan Agreement. Section 4.d of the HOME Loan relating to repayment of the Loan is hereby deleted and is replaced with the following:

d. Repayment. All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2032. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the RDA Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the RDA shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the RDA.

2. HOME Loan Agreement. Section 16 of the HOME Loan relating to rent limitations and income targeting requirements is hereby deleted and is replaced with the following:

Section 16. Income Targeting Requirements. Partnership will set aside a total of eleven (11) units of the Development to be designated as floating HOME-assisted units. All HOME-assisted units (nine (9) one-bedroom and two (2) two-bedroom units) shall be designated as Low HOME units which are limited to households whose incomes do not exceed fifty percent (50%) of median family income for Riverside County, adjusted by family size, at the time of occupancy. Partnership shall comply with the rent limitations set forth under 24 CFR 92.252. The County shall review and approve proposed rents to the extent required under this section. Partnership shall ensure that the HOME-assisted units are rented to qualified applicants at the HOME rent levels published by HUD from time to time in accordance with the requirements set forth at 24 CFR 92.252, 92.255, and 92.256. Partnership shall comply with rent limitations set forth in Section 17 of the HOME Loan Agreement.

3. Promissory Note. The second paragraph of the Promissory Note is hereby deleted and replaced with the following:

All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2032. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the RDA Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the RDA shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the RDA.

4. Deed of Trust. The second paragraph of the Deed of Trust with Assignment of Rents is hereby amended in its entirety to read as follows:

The Note provides for: All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on March 31, 2032. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial

amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the RDA Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the RDA shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the RDA.

5. Governing Law. This Amendment shall be governed by and construed in accordance with California law.

6. Conflicts. In the event of any conflict or inconsistency between the terms of this Amendment and any of the County Documents, this Amendment shall prevail. Except as amended herein, the County Documents shall remain unmodified and in full force and effect.

7. Counterparts. This Amendment may be executed in counterparts, and each shall constitute an original and all taken together shall constitute one Amendment.

[SIGNATURE PAGE FOLLOWS]

NOW THEREFORE, the parties hereto have executed this Amendment as of the date first set forth above.

PARTNERSHIP:

MISSION LARUE LIMITED PARTNERSHIP, a
California limited partnership

By: Palm Desert Development Company, a
California corporation, its Administrative General Partner

By: _____

Name: _____

Its: _____

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED


COUNTY:

COUNTY OF RIVERSIDE

By: _____
Jeff Stone, Chairman,
Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By:  7/21/07
Deputy Michelle Clark

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

Those portions of Lot 1 and 2 in Block 9 of Map of West Riverside, as shown by map on file in Book 9 page 34 of Patents, Records of Riverside County, California, being a portion of Rubidoux Rancho, also shown as Parcels 1 and 2 on Lot Line Adjustment No. RDA/LPM-2001-03 recorded June 12, 2001 as Instrument No. 2001-260651, Official Records of Riverside County, California, described as follows:

COMMENCING at the most westerly corner of said Lot 2;

Thence South 58° 56' 43" East along the southwesterly line of said Lot 2 and along the southwesterly line of Lot 1, a distance of 751.58 feet to the most southerly corner of the northwesterly 1-3/4 acres of said Lot 1;

Thence North 31° 04' 16" East along the southeasterly line of said northwesterly 1-3/4 acres, a distance of 54.00 feet for the TRUE POINT OF BEGINNING, said point being on the most easterly corner of that certain parcel of land conveyed to the State of California by deed recorded April 9, 1941 in Book 497 at pages 326 thereof, Official Records of Riverside County, California;

Thence North 58° 56' 43" West along said northeasterly line of said parcel so conveyed and along the northeasterly line of that parcel of land conveyed to the State of California by deed recorded August 26, 1940 in Book 476 at page 109 thereof and along the northeasterly line of that parcel of land conveyed to the State of California by deed recorded July 16, 1940 in Book 468 at page 553 thereof and along the northeasterly line of that certain parcel of land conveyed to the State of California by deed recorded June 25, 1941 in Book 507 at pages 338 and 339 thereof, all Official Records of Riverside County, California, a distance of 748.58 feet to the most southerly corner of that certain parcel of land conveyed to the County of Riverside by deed recorded March 10, 1972 as Instrument No. 32826, Official Records of Riverside County, California;

Thence North 31° 04' 16" East along the southeasterly line of said parcel so conveyed, a distance of 414.85 feet to a point thereon;

Thence South 58° 08' 29" East, a distance of 97.84 feet;

Thence South 39° 46' 39" East, a distance of 138.54 feet;

Thence South 50° 39' 14" East, a distance of 87.90 feet;

Thence South 40° 16' 30" West, a distance of 17.81 feet;

Thence South 50° 46' 37" West, a distance of 65.48 feet;

Thence South 39° 13' 23" East, a distance of 91.36 feet;

Thence North 64° 10' 41" East, a distance of 7.50 feet;

Thence North 61° 43' 55" East, a distance of 13.54 feet;

Thence North 89° 26' 50" East, a distance of 15.26 feet;

Thence North 48° 54' 03" East, a distance of 213.69 feet;

Thence South 38° 21' 56" East, a distance of 217.38 feet;

Thence South 17° 55' 18" East, a distance of 47.78 feet;

Thence North 84° 59' 08" East, a distance of 51.78 feet;

Thence North 60° 40' 24" East, a distance of 43.06 feet;

Thence South 29° 46' 17" East, a distance of 42.17 feet;

Thence South 59° 39' 55" West, a distance of 12.53 feet;

Thence South 27° 36' 59" East, a distance of 53.33 feet to a point on said southeasterly line of said northwesterly 1-3/4 acres of said Lot 1;

Thence South 31° 04' 16" West along said southeasterly line, a distance of 317.22 feet to the **TRUE POINT OF BEGINNING.**

Containing 5.98 acres, more or less.

<p>RECORDING REQUESTED BY AND WHEN RECORDED RETURN TO:</p> <p>County of Riverside Economic Development Agency 1325 Spruce Street, Suite 400 Riverside, CA 92507 Attn. Tom Fan</p>	
---	--

Exempt Recording Fee Code 6103

Space Above This Line For Recorder's Use

**THIRD AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY NOTE AND DEED OF TRUST WITH ASSIGNMENT OF RENTS
(County)**

THIRD AMENDMENT TO HOME LOAN AGREEMENT, PROMISSORY NOTE AND DEED OF TRUST WITH ASSIGNMENT OF RENTS (this "Amendment") is entered into as of _____, 2009 by and between the **COUNTY OF RIVERSIDE**, a California public entity (the "County"), and **HEACOCK COTTONWOOD II LIMITED PARTNERSHIP**, a California limited partnership (the "Partnership").

RECITALS

A. The County and the Partnership entered into that certain Loan Agreement for the Use of HOME Funds, dated as of July 1, 2003 (the "Loan Agreement") recorded in the Office of the Recorder of the County of Riverside as Document No. 2003-936453 on November 26, 2003 and re-recorded as Document No. 2004-185197 on March 17, 2004, which provides for construction and permanent financing of an affordable rental housing development and sets aside eleven (11) units to be HOME-assisted units (the "Development") on certain land in Moreno Valley, California (the "Site") as more particularly described in Exhibit A attached hereto and incorporated herein (the "Site").

B. Pursuant to the Loan Agreement the County agreed to lend to the Partnership Seven Hundred Fifty Thousand Dollars (\$750,000.00) (the "Loan"). The Loan Agreement is evidenced a promissory note (the "Promissory Note"), which is secured by a deed of trust with assignment of rents (the "Deed of Trust") dated July 1, 2003 and recorded in the Office of the Recorder of the County of Riverside as Document No. 2003-936455 on November 26, 2003 and re-recorded ad Document No. 2004-185196 on March 17, 2004.

C. The parties entered into the First Amendment to the Loan Agreement, Promissory Note and Deed of Trust with Assignment of Rents dated as of November 18, 2003 (the "First Amendment") recorded in the Office of the Recorder of the County of Riverside as Document No. 2003-936454 on November 26, 2003, and that certain Second Amendment to the Loan Agreement, Promissory Note and Deed of Trust with Assignment of Rents dated as of January 31, 2006 (the "Second Amendment") recorded in the Office of the Recorder of the County of Riverside as Document No. 2007-255526 on April 17, 2007, pursuant to which the parties amended certain provisions of the Loan. The Loan Agreement, Promissory Note, Deed of Trust,

First Amendment, Second Amendment and all other documents evidencing or securing the Loan are collectively referred to herein as the "County Documents."

D. The Partnership entered into that certain Owner Participation Agreement with the Community Redevelopment Agency of the City of Moreno Valley ("Agency") dated October 29, 2003 pursuant to which the Partnership received a loan in the amount of Seven Hundred Sixty Two Thousand Dollars (\$762,000) (the "Agency Loan") evidenced by a promissory note and secured by a deed of trust with assignment of rents dated October 29, 2003 recorded in the Office of the Recorder of the County of Riverside as Document No. 2003-936459 on November 26, 2003.

E. The parties desire to further amend the County Documents in order to clarify certain repayment provisions under the Loan.

F. Capitalized terms which are not defined herein shall have the meaning ascribed to them in the Loan Agreement.

NOW THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Home Loan Agreement. Section 4.d of the HOME Loan relating to repayment of the Loan is hereby deleted and is replaced with the following:

d. Repayment. All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on September 30, 2033. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Owner's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the Agency Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the Agency shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the Agency.

2. HOME Loan Agreement. Section 17 of the HOME Loan relating to rent limitations and income targeting requirements is hereby deleted and is replaced with the following:

Section 17. Income Targeting Requirements. Owner will set aside a total of eleven (11) units of the Development to be designated as floating HOME-assisted units. All HOME-assisted units (eleven (11) 3-bedroom units) shall be designated as Low HOME units which are limited to households whose incomes do not exceed fifty percent (50%) of median family income for the Riverside County, adjusted by family size, at the time of occupancy. Partnership shall comply with the rent limitations set forth in Section 18 of the HOME Loan Agreement.

3. Promissory Note. The second paragraph of the Promissory Note is hereby deleted and replaced with the following:

All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on September 30, 2033. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the Agency Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the Agency shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the Agency.

4. Deed of Trust. The second paragraph of the Deed of Trust with Assignment of Rents is hereby amended in its entirety to read as follows:

The Note provides for: All outstanding principal along with accrued interest at the rate of one percent (1%) interest per annum shall be due and payable on September 30, 2033. Borrower shall make annual payments on July 1 of each year, until such time as the loan is repaid in full. Annual payments shall be due on July 1 of each year, until such time as the loan is repaid in full, and shall be payable from fifty percent (50%) of available cash flow. Available cash flow shall be the cash flow remaining after the payment of operating expenses, reserves, deferred developer's fee, managing general partner fee, special limited partner fee and administrative general partner fee, which administrative general partner fee shall be in the initial amount of \$50,000 (all such fees to increase annually by an amount equivalent to the rise in the Consumer Price Index, or successor index, as provided in Borrower's partnership agreement), and debt service, but prior to distributions to owners, partners and investors. Available cash flow shall be determined based on a review of financial statements for the project. Quarterly financial statements shall

be submitted within 45 days following the close of each quarter of the project fiscal year. In addition, annual audited financial statements shall be submitted within one hundred twenty (120) days following the close of the project fiscal year. The County acknowledges to that the source of repayment of the Agency Loan also comes from fifty percent (50%) of available cash flow that is designated to pay the Loan. The County and the Agency shall instruct Borrower what percentage of the fifty percent (50%) of available cash flow should be paid to the County and what percentage should be paid to the Agency.

5. Governing Law. This Amendment shall be governed by and construed in accordance with California law.

6. Conflicts. In the event of any conflict or inconsistency between the terms of this Amendment and any of the County Documents, this Amendment shall prevail. Except as amended herein, the County Documents shall remain unmodified and in full force and effect.

7. Counterparts. This Amendment may be executed in counterparts, and each shall constitute an original and all taken together shall constitute one Amendment.

[SIGNATURE PAGE FOLLOWS]

NOW THEREFORE, the parties hereto have executed this Amendment as of the date first set forth above.

PARTNERSHIP:

**HEACOCK COTTONWOOD II, LIMITED PARTNERSHIP, a
California limited partnership**

**By: Palm Desert Development Company,
a California corporation,
its Administrative General Partner**

By: _____

Name: _____

Its: _____

(SIGNATURES CONTINUE ON NEXT PAGE)

ALL SIGNATURES MUST BE NOTARIZED

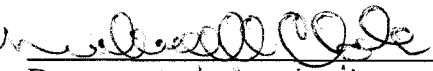
COUNTY:

COUNTY OF RIVERSIDE

By: _____
Jeff Stone,
Chairman, Board of Supervisors

APPROVED AS TO FORM:

PAMELA J. WALLS
County Counsel

By:  9/21/09
Deputy Michelle Choate

ATTEST:
KECIA HARPER-IHEM
Clerk of the Board

By: _____
Deputy

ALL SIGNATURES MUST BE NOTARIZED

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)

County of _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

PARCEL 2 AS SHOWN ON LOT LINE ADJUSTMENT LLA NO. 868 RECORDED OCTOBER 6, 1996 AS INSTRUMENT NO. 363277 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA, DESCRIBED AS FOLLOWS;

LOT 4, TOGETHER WITH THOSE PORTIONS OF LOTS 3, 5, AND 6, HEACOCK STREET COTTONWOOD AVENUE, AND BAY AVENUE, IN BLOCK 98, MAP NUMBER 1, BEAR VALLEY AND ALESSANDRO DEVELOPMENT COMPANY, AS SHOWN BY MAP ON FILE IN BOOK 11 PAGE(S) 10 OF MAPS, RECORDS OF SAN BERNARDINO COUNTY, CALIFORNIA, LYING NORTH OF THE NORTHERLY LINE OF THE LAND CONVEYED TO THE RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT BY DEED RECORDED JULY 13, 1967 AS INSTRUMENT NO. 60601 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA;

EXCEPTING THEREFROM THAT PORTION CONVEYED TO THE COUNTY OF RIVERSIDE BY DEED RECORDED JULY 25, 1977 AS INSTRUMENT NO. 140929 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA;

TOGETHER WITH THOSE PORTIONS OF LOTS 3 AND 4 IN BLOCK 99 OF SAID MAP NUMBER 1, LYING NORTH OF THE SAID NORTHERLY LINE OF THE LANDS OF RIVERSIDE COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT;

EXCEPTING THEREFROM ALL THAT PORTION MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF PARCEL 4100-39 AS SAID PARCEL IS SHOWN ON THAT CERTAIN RECORD OF SURVEY RECORDED APRIL 11, 1967 IN BOOK 50 PAGES 49, THROUGH 53, INCLUSIVE, OF RECORDS OF SURVEY, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA;

THENCE SOUTH 18° 43' 53" WEST ALONG THE WEST LINE OF SAID PARCEL FOR A DISTANCE OF 123.67 FEET TO AN ANGEL POINT IN SAID WEST LINE;

THENCE SOUTH 06° 25' 24" WEST ALONG SAID WEST LINE FOR A DISTANCE OF 56.35 FEET TO AN ANGEL POINT IN SAID WEST LINE;

THENCE SOUTH 18° 43' 53" WEST ALONG THE WEST LINE FOR A DISTANCE OF 367.69 FEET;

THENCE AT RIGHT ANGLES TO SAID WEST LINE, NORTH 71° 16' 07" WEST FOR A DISTANCE OF 119.17 FEET;

THENCE AT RIGHT ANGLES TO LAST SAID LINE, SOUTH 18° 43' 53" WEST FOR A DISTANCE OF 18.00 FEET;

THENCE AT RIGHT ANGLES TO LAST SAID LINE, NORTH 71° 16' 07" WEST FOR A DISTANCE OF 72.45 FEET;

THENCE AT RIGHT ANGLES TO LAST SAID LINE, NORTH 18° 43' 53" EAST FOR A DISTANCE OF 17.89 FEET TO THE INTERSECTION THEREOF WITH A LINE PARALLEL TO, AND DISTANT 500.00 FEET SOUTHERLY FROM THE CENTERLINE OF COTTONWOOD AVENUE (80.00 FEET WIDE) AS SHOWN ON SAID RECORD OF SURVEY;

THENCE ALONG SAID PARALLEL LINE, NORTH 89° 59' 40" FOR A DISTANCE OF 411.08 FEET;

THENCE AT RIGHT ANGLES TO LAST SAID LINE, NORTH 00° 00' 20" EAST FOR A DISTANCE OF 500.00 FEET TO THE INTERSECTION THEREOF WITH SAID CENTERLINE;

THENCE SOUTH 89° 59' 40" EAST ALONG SAID CENTERLINE FOR A DISTANCE OF 776.57 FEET TO THE INTERSECTION THEREOF WITH THE WEST LINE OF PARCEL 4100-1G AS SAID PARCEL IS SHOWN ON SAID RECORD OF SURVEY;

THENCE SOUTH 26° 27' 20" WEST ALONG LAST SAID WEST LINE FOR A DISTANCE OF 44.75 FEET TO THE POINT OF BEGINNING;

EXCEPT THAT PORTION CONVEYED TO THE COUNTY OF RIVERSIDE BY DEED RECORDED JULY 25, 1977 AS INSTRUMENT NO. 140929 OF OFFICIAL RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 482-180-073-5